

OFFICIAL LITERATURE
1941-42

SOUTHERN SOCIOLOGY QUARTERLY

Vol. XXIII

No. 1

POPULAR CONTROL AND DEMOCRACY

THE WAR AND THE CATTLE

THE BANK DEPOSIT INSURANCE

THE DEFENSE PROGRAM

1942

A MODERN GOLDEN FLEET

WHY WARS PRODUCE DEPRESSION

NOTES FROM THE SOUTH

TWENTY-THIRD ANNUAL

ASSOCIATION

BOOK REVIEWS

BOOK NOTES

THE SOUTHERN

BOARD OF EDITORS

CARL M. ROSENQUIST, *Editor-in-Chief*

ASSOCIATE EDITORS

- Accounting:* John A. White, University of Texas, Austin
Agricultural Economics: Otis Osgood, University of Arkansas, Fayetteville
Business Administration: Perham C. Nahl, Oklahoma A. and M. College, Stillwater
Economics: John O. Gragg, Southwest Texas State Teachers College, San Marcos
Geography: Walter Hansen, North Texas State Teachers College, Denton
Government: C. W. Patten, Oklahoma Baptist University, Shawnee
History: Ralph H. Records, University of Oklahoma, Norman
Psychology: W. H. Brentlinger, University of Texas, Austin
Sociology: O. D. Duncan, Oklahoma A. and M. College, Stillwater
-

Entered as second-class matter at the post office at Baton Rouge, Louisiana under act of March 3, 1879. Office of publication: 216 Main St., Baton Rouge, La.

The SOUTHWESTERN SOCIAL SCIENCE QUARTERLY is the official organ of the Southwestern Social Science Association. The subscription price of the QUARTERLY is three dollars a year or 75 cents a copy. Orders for subscriptions to the QUARTERLY may be addressed to 216 MAIN STREET, BATON ROUGE, LA., or to Carl M. Rosenquist, Editor-in-Chief, University of Texas, University Station, Austin, Texas, or to Donald S. Strong, Secretary-Treasurer of the Association, University of Texas, Austin, Texas. All manuscripts should be addressed to Carl M. Rosenquist, University of Texas, University Station, Austin, Texas. All books for review should be sent to O. Douglas Weeks, Book Review Editor, The University of Texas, Austin, Texas.

THE
SOUTHWESTERN SOCIAL SCIENCE
QUARTERLY

VOL. XXIII

JUNE, 1942

No. 1

Popular Control and Our Expanding Government*

S. B. McALISTER

North Texas State Teachers College

In these trying times it is quite difficult for one to give any full measure of thought and attention to subjects not directly related to the activities of our military forces that are this evening scattered throughout the world. In comparison with the meaningful possibilities of what is happening in other parts of the world, almost every domestic topic of discussion pales into insignificance. The continuation of the American way of life—or, as to that matter, the continuation of any desirable way of life for us, depends in no small measure upon the ultimate successes of our military forces. You and I as civilian laymen cannot plan the military strategy for these men and boys to follow. That task now rests wholly upon the shoulders of our military and governmental leaders. Though we realize that our thinking on matters military can have no value whatsoever, nevertheless, we will continue to think about our men in uniform as they give their full measure of help and devotion to us and to their country. These men and boys expect us who might stay here to give the best thought we have to the immediate problem of giving them more with which they may carry on, and to the more long-range problem of taking care of what is good in our institutions and life, so that when they do come back they will find here a country as good as or better than the one they left—a land in which they will enjoy making their homes.

If someone should ask you, Just what are these boys fighting for?

* Presidential address delivered at the Twenty-third Annual Meeting of the Southwestern Social Science Association in Dallas, Texas, April 3, 1942.

What would be your answer? Among other things, they have been told, and they believe, we have been told, and we believe, that they are fighting for freedom. This would be a true statement only if we took the meaning of that term in its very broadest sense. Freedom, as we anticipate living it after peace comes, should mean to us not only a complete absence of political and economic control by the Axis powers, but it should mean freedom to the individual from economic want and poverty, freedom from the slavish demands of outworn customs, traditions, and institutions, freedom from the ravages of nature, and freedom from the danger of any unwarranted or aggressive acts on the part of any agent of government. When our boys come back from this war, they ought to find here an environment characterized by this broad meaning of the term "freedom." To have such an environment ready for them places upon you and me and the masses of the American people a tremendous responsibility—a responsibility that can be met only by a genuinely intelligent, unprejudiced, and unselfish type of both thought and action.

To start with we must realize that the word "freedom" taken alone represents an incomplete thought. Nothing can be free unless it is free *from* something. If we are really free after this war we will be free *from* German or Jap orders or influence, we will be free *from* the restrictive consequences of an extreme poverty, we will be free *from* excessive or unreasonable demands or controls by the agents of our own government. We can depend upon the boys in uniform to free us from the dangers of external control. We must depend upon ourselves for the freedom from the dangers arising within our internal society.

The present world debacle is now throwing the social, economic, and political customs, traditions and institutions of the American people far out of balance. We know that these customs and institutions will never be reestablished in exactly the same forms they possessed before the outbreak of the war. In other words, we know that the American way of life as it existed before December 7, 1941, will never be fully restored. Since we will not live again the old American way of life, then we might ask: What will be the nature of the new American way of life? What new meaning will we give to that old and familiar term? What is there in the old that will be carried over into the new? And what new concepts will be added—concepts of which our American soldiers are not yet conscious—yet concepts for which they are now fighting? These are questions for which you and I must not only have the answers, but we must understand what these answers mean.

No attempt will be made this evening to analyze the whole of the future American way of life. That job would call for a more inclusive mind than is possessed by your present speaker. One segment of the future American crystal will, however, be gazed into with the hope that if we can see whither certain trends might lead us, we can the better guide those trends in a satisfactory direction. The segment upon which we will focus our minds' eye this evening will be that portion dealing with the relationship which the individual might have with his government in this new American way of life. Today there exists in Europe and Asia certain governments that have secured complete domination of the people they have under them. In some instances these dominated people are of the same race, customs and tongues as are their governing agents. For example, Germans are completely dominating other Germans. These same German governors, likewise, are completely dominating other people who do not belong to the same race or speak the same tongue. Frenchmen, Greeks, Norwegians are controlled by a German government. Neither the German citizen in Germany, nor the conquered Frenchman in France can be said to be free in the sense which the Americans use that term. It is true that the majority of the German people, though completely subjugated to the will of their rulers, exist in harmony with their governors. Whether we consider the people in Germany or the people in France, we have one group which we call the people being controlled and dominated by another group which we call the Government. Regardless of the type of government under which a people live, the ones who are governed and the governors who govern them are two separate and distinct entities. This elemental fact of political science must be recognized by any one who would understand the political organization of any state.

There can be no such thing as a functioning government without something to be governed on the one hand, and some body to do the governing on the other. There is no such thing in a political sense as a people governing themselves. There is not a single rule in existence in this or any other country used to govern the people which was made and executed by laymen outside the sphere of government. A people might govern those who govern them in which case we would have a government with the consent of the governed as Thomas Jefferson so aptly put it. If this condition exists in a country, that is, if the people through the expression of their own free wills govern those who govern them, then that country can be said to have a democratic form of government. On

the other hand, if the people do not so govern those who govern them, then that state has some other form of government. The political philosophy upon which the American Revolution was justified was that the American people ought to and would have a right to set up a government that they themselves could and would control. Indeed, that is the philosophy behind every revolution, *i.e.*, that the revolting people may have a government they can control. That thought is undoubtedly in the minds of those conquered peoples of Europe today as they visualize the time when they can revolt and set up their own governments—governments they themselves can control. When our boys come back from the fighting fronts they will have a right to expect to find here a political system in which the people are still controlling their government, and the popularly controlled government is in turn controlling every person or group of persons whose activities might be detrimental to the public welfare. *Control*, that is the key word in the functioning of any governmental system.

There are two philosophies of control abroad in the world today. One holds that the people as a whole in any state are too disinterested in and too ignorant of the affairs of state to control the government which is controlling them. There can be only one control, this philosophy holds, and that must be the control which the government exercises on the people. This view is most clearly stated by Adolph Hitler in his *Mein Kampf* when he says: "It is easier for a camel to go through the eye of a needle than that a great man be discovered in an election." And in another place he says, "In a Democracy public questions will always be decided by a majority of ignoramuses and incompetents." And again, "The interest of the state is not satisfied and is not served by the rule of the masses who are either unable to think or are inefficient." Hitler clinches his argument, he thinks, for this one-control philosophy when he observes, "The principle which made the Prussian Army the most marvelous instrument of the German people has to be some day in a transformed meaning the principle of the construction of our whole state constitution. *Authority of every leader toward below and responsibility toward above.*" The leaders to have all the authority; the people to have all the responsibilities! How totally and completely non-American is that idea as a principle of civilian government!

The other philosophy of government holds that a properly governed state will have a double system of control. In the first place, there will be the control which the government exercises on the people. This type

of control must of necessity exist in all states, be the state operated on a totalitarian basis as now in Germany, Italy, and Japan, or whether on a restricted governmental basis as in the United States or in England during peace times. But in the second place, this second philosophy holds that there is another control, a control which the people exercise over their governors, the same governors who are controlling the people. This type of control, present day Germany and Italy do not have. It would not make sense to the governing authorities of these two countries to tell them that the government which was controlling the people could itself be controlled by those same people. Under any military government there can be only one control, and that must flow from the governors to the people; never vice versa.

Another truism of political science is that no one group can govern or control another group without some sort of machinery, instruments, or devices, through which this control can be effectuated. Thus, the government cannot control the people without so-called governmental machinery and devices. Likewise, the people cannot control the government without the use of certain controlling instruments and devices. No American citizen can properly understand his political system until he understands the instruments through which the double type of controls operates.

There is a great similarity among all governments in the instruments which they use in making the will of the governors effective upon the people. The legal control is exercised through statutes, executive orders, and administrative decrees. Administrative control is exercised through such devices as reports, inspection, advice, grants-in-aid, approval, review, removal, appointment, and substitute administration. The German, the Italian, the English, and the American government use in general these same administrative devices in making the wills of the respective governments effective. It is only when we observe the machinery through which the people control their governors that we find such radical differences among the political systems of the world. Indeed, as we know, among the Axis powers there is little or no machinery through which the people can peacefully control their agents of government. The only way the Italians could get rid of Mussolini would be to kill or to exile him. In any state operated on the principle that authority flows from above to below, the government becomes the master; the people become the servants.

In the United States we have four distinct devices through which

the people can exercise control over their government. These devices properly used make the people the master and the agents of government the servants. I refer to (1) the ballot, (2) the lobby, (3) the constitution, and (4) revolution. The people in such countries as Germany and Italy have only the one instrument of popular control—*revolution*. That is the only effective instrument of control which the American people had in 1776. That is why they used it. But any use of the revolutionary method is an awkward, barbarous, and a destructive way to exercise control. It has been only in recent years, for example, that the Mexican people have learned to change their chief executive other than by revolution. You and I as Americans have inherited from our forefathers these three instruments of peaceful popular control; namely, the ballot, the lobby, and the constitution. It would not be amiss to say that we are the only people with exactly this type of inheritance. In so far as the American way of life differs from the ways of life in other countries, this difference is in no small degree the result of this peculiar heritage. When this war is over and we go on a peace time basis of living, we ought to expect the continued functioning of these three instruments of popular control, not, perhaps, in exactly the same way they functioned before the war, but certainly in a manner that will represent a free expression of the popular will.

It is almost a truism in political science that when one group, the people, for instance, is controlling another group, the government, the controlling group must know something about the devices it is using—particularly if the group to be controlled is very strong. In this country, therefore, the people ought to know *why* we have a ballot, the lobby, and the constitution as instruments of control, and they ought to know *how* these instruments operate. The German citizen would not need to know anything about the *why* and *how* of the ballot, the lobby, and the constitution, since the use of these is not a part of his activities. We have assumed in this country that the masses of the American people would automatically know the extent and limits of these instruments in their hands. And that assumption has been one of the big mistakes we have made. The failure on the part of the American people to know and to understand the extent and limits of their political capabilities is partly responsible for our lack of preparedness in this war.

Let us examine briefly each of these instruments of popular control and see, if we can, why we need three devices instead of one. If the ballot is an efficient device for controlling our government for example,

why should we have the lobby or the constitution? We know that the ballot is essentially a tool of the majority. In a free election where the personalities and issues to be voted upon are fairly well understood by a large number of the voters, the ballot gives a fairly accurate guide to the popular will. Such a condition, however, seldom exists, and for this reason the ballot must be considered as a faulty means of registering the popular will. The agents of government know this and hence do not feel themselves too closely bound by the results of an election. But the ballot has other limitations. (1) It operates only periodically, in some instances only once in each six years. This extended time between elections gives an opportunity to an unworthy agent of government to do considerable violence to the individuals under his control before these individuals could vote him out of office. (2) The ballot offers no protection to the minority from unjust acts of the agents of government. Since the ballot has these defects as a means of control, the American people have used extensively the two other instruments of control; namely, the lobby and the constitution. Many Americans, however, still visualize democracy as functioning only through the ballot box.

The lobby is a tool which individuals use to impress upon the policy determining agents of government their likes and dislikes. It represents a continuous tie-up between the government on the one hand and those people on the other who are vitally interested in how this government operates. There is nothing in the operation of the lobby as such which forces or compels action on the part of agents of government. It owes its great influence to the fact that it can make a direct personal appeal to such human traits as love for prestige, position, power and money—traits which are possessed by those who operate the government as well as by those of us who are outside the public fold. Much of the information upon which the government acts is furnished by the lobby, and there is enough "good" information so furnished to color the "bad" so that in the mind of the agents of government, the lobby as a whole appears worthy to be followed. No one can doubt but that the lobby—the voice of a part of the people—exerts considerable influence upon our government. This is true whether the lobby consists of one person or of an organized group of persons such as the National Manufacturers' Association, the U. S. Chamber of Commerce, the California Fruit Growers' Association, the American Federation of Labor, or any of the other organized lobby groups. These groups operate on government in season and out of season; in war and out of war. Because of its extreme

selfishness, the lobby as an instrument of control is faulty, and were this the only type of control which the people could exercise over government, it would not be long until the government would become the special tool for those few who made it their business to understand fully how the government operates.

There are those who tell us now that the government has almost fallen into the hands of a special few who study our government and know how to influence it. If this is true, it is not because the majority has no right or no instruments with which they can influence the government. It is because the majority knows less than the few about how to influence the government. The remedy would seem to lie in increasing the political intelligence of the many rather than in penalizing the political intelligence of the few. Too many of our people—individuals such as you and I—spend too much time criticizing those who lobby and too little time lobbying ourselves. Since lobbying can be done by simple and inexpensive means such as letter writing, no citizen need deprive himself of the use of this device. If education and knowledge represent power, then the proper way to offset the selfish exercise of the political power of the few, as expressed through the lobby, would be to increase the political education and knowledge of the many. When this is done most of the evils of the lobby will disappear.

To meet the defects of the ballot and the lobby as means of popular control, and to give each individual an effective tool with which to combat injurious acts of the agents of government, the American people invented a new type of popular control which we know as the written constitution. The political thinkers of the Revolutionary period reasoned that if the government could peaceably control the people by *law*, then the people ought to be able to control peaceably the agents of government by law—not, of course, by the law which the agents of government made, i.e. statutory or administrative law, but by a law made by the people themselves; namely, constitutional law. That is why they made our first constitution and provided that it would be *law*, not a mere statement of basic principles as one so often hears.

Theoretically constitutional law was designed to represent the voice of the people. It was planned to operate continuously as a guide for the agents of government to follow in their governing of the people. It was created to enable a minority, even of one person, to challenge the government when it was thought the government was operating contrary to the written rules. It was intended to create a set of legal rights as well

as a set of political rights for the citizen to use in operating his government. In other words, it was thought that if the government attempted to injure a citizen by violating the people's law, then the injured citizen could go into the courts and have the act of the government set aside. If the government merely passed an unwise act, though legal, then the remedy for the people lay at the ballot box where a majority could select a new set of governors who would change the unwise act. Thus, it was believed that if the people were to control their government effectively, it would be necessary for them to use all three instruments, the ballot and lobby to protect them from unwise acts, and the constitution to protect them from illegal acts of their agents of government.

Of these three instruments of popular control, the constitution seems to have been the least understood by the American people. A pitifully small number of our people can intelligently explain exactly what a constitution is, why the American people chose a constitutional form of government, and how a constitution operates to carry out the purposes of its creation. As a result of this failure to understand the principles of constitutional government, we find our people permitting the context of our organic law to become outmoded. The citizen, seeing an immediate need for a particular statute or an executive order, and being told that some outmoded provision of the constitution, or some outmoded judicial decision stands in the way of the passage of the statute or order, frequently assumes that constitutional government *per se* is bad. He then begins urging some action, which if carried out, would tend to nullify constitutional government.

If and when a people cannot direct their government by the peaceful instruments of the ballot, the lobby, and the constitution, they then must resort to their fourth controlling device, namely, revolution. Before the democratic instruments of control were developed, the people exercised control over government only through revolution. That is why so much of ancient and medieval history is written around revolutions. A large portion of the people of the world today live under governments which can be changed only by revolution. That is a sad commentary on the political intelligence of the peoples of the world. So far history records no totalitarian government which could be changed by the people except through revolution. We have no measuring stick which will designate the exact point in the growth of a government where it becomes so strong that the people cannot control it by peaceful devices. We can be certain, however, that a politically intelligent people can control effec-

tively a much stronger government than a politically non-intelligent people.

The question might well be asked here; why give any thought now to the subject of popular control of government when during the war and the emergency period to follow, the bulk of the control for both the military and civilian peoples must flow from the government to the people rather than from the people to the government? The answer is this. Many good American citizens see our government taking a firm hold of men, materials and business and they become alarmed lest these men, materials, and business will be crushed under the heel of a strong government somewhat as we have seen them crushed in other countries. These people would have less cause for fear if they understood the popular mechanism which we have in this country to keep in check a too aggressive government. Of course, they know and we know that any instruments of popular control will soon cease to function unless the people who are to use them understand *how* they operate. That is justification enough for us to keep them in our minds even in a period when it is best to use them little. Many of our people see the move toward increasing governmental functions as a move away from democratic control. A strong government will demand a more intelligent and wide awake citizenship if popular control is to be effective. But there is no reason why the American people with their schools and means of education cannot keep their political knowledge in step with their rapidly expanding government. If this is done, a strong government can be as effectively controlled as a weak one.

It might be well to give some thought here to the changing status of the American government as it relates to the economic and political lives of our people. The economic system under which the American people are now living has changed—radically changed, during the past two decades. Unfortunately many of our people are still trying to fit a 1942 model economic system into an old 1922 model political frame. These two will not work together. We cannot place our people under a new economic system without at the same time re-making our political system to harmonize with the economic changes. A political system cut to fit a capitalistic economy will not fit a socialistic economy. A developing capitalism in the 18th and 19th centuries modified every political system it touched. That is why the true economic reformer will always consider his economic reform as incomplete until he can see it in terms of the political procedure necessary to give it effect. An improvement

in the economic system of a country does not automatically produce a correlative improvement in the political system. It is possible, therefore, for a people, during a period of change, to gain economically while losing politically, or vice versa. The economic betterment of the German people moved ahead by leaps and bounds after Adolph Hitler started his program. The political rights of the German individuals, however, did not fare so well.

The world wide assault on the existing capitalistic economy which got under way during the first world war was soon reflected in the political changes in several European States. These changes followed in general the avenues dictated by the political backgrounds of the people affected. Italy went fascist, Germany socialist, Russia communist. In this country, by 1933, the New Deal had begun to supplant a decadent capitalism. By 1940 it was obvious to the students of our economy that the capitalistic system as it had existed since the early days of our nation, was on its way out. As evidence of this change we have only to mention the following observations:

- (1) Governmental investments in capital enterprise were exceeding private investments by more than five to one.
- (2) Our export-import trade with foreign markets was shifting from private to governmental hands.
- (3) Wall street as a source of capitalistic finance was shifted to Washington from whence came the money that made the mare go.
- (4) Capitalism had failed to handle technological unemployment. As a result we saw one wing of our Federal Eagle throwing its protection around the poverty-stricken and unemployed throughout the country.
- (5) Capitalism had permitted a breakdown of our agricultural system. The government came to the rescue with subsidies.
- (6) Capitalism had indicated its inability to use its technological possibilities made available by inventions and concentrated powers of finance. As a result the government built T.V.A., Grand Coulee and other huge public works.
- (7) Capitalism had failed to operate without producing boom times and depressions. This caused thousands of individuals, and hundreds of institutions and cities to turn to Washington for money and for help in the management of their local affairs.
- (8) The American youth no longer responded to the ideologies upon which our older system of economy had been built.

The American people were ceasing to look on government as a mere keeper of the peace. They were coming to consider it as a service institution. Our government would supply the necessities of life and provide security from the hazards of unemployment, crop failures, accidents, and old-age. These things meant that long before Germany started the second world war we were in the midst of a politico-economic revolution. We cannot have such revolutions without changing the relationships existing between the governed and the governors.

But what took place before December 7, 1941, was only a prelude to the changes which started that day. The cold, ugly spectre of war brought home to us the stark realization that the American economy as it was set up and functioning would not and could not meet our production problem in the short time we had to prepare for the enemy. The Office for Emergency Management which had been lazily functioning for some eighteen months suddenly sprang from its leashes under the leadership of such men as Donald Nelson, Leon Henderson, and others and took over the supervision of production and distribution of economic goods in this country. The program of extended governmental functions and services which began to unfold under this new war set-up was not so much a new program as it was an extension of the politico-economic principles which had been ten years in the making. Such measures as our National Wages and Hours Act, the AAA, and N.L.R.B. had prepared the American mind and American Business for the civilian war administration program which became inevitable after Pearl Harbor.

Although our war program is only in its infancy, yet it has already developed far enough to furnish a clear outline of its future impact on the American economy. We see now the great automobile industry being integrated into a huge "co-op" unit. The Big Three concerns—Ford, Chrysler, and General Motors, and with them the six smaller companies, are pooling their tools, machines, technical information, production problems, and all facilities for an all out armament production program. And even more significant than this, we see the huge automobile industry becoming a part of a federation of trade associations involving more than 150 related automotive supply, tool, parts, and body establishments. We see other large industries such as the electric refrigerator industry, the typewriter industry, and the radio industry following in the footsteps of the automobile industry. All these changes are taking place under a system of governmental orders and supervision.

We see our labor unions with their millions of individual members working themselves into positions of ultimate governmental supervision. In short, we see industrial management, men, materials, and plants shifting from a private, competitive operating setup to a governmentally supervised, simplified, production and marketing system. The bulk of the current production is taken by the government without passing through a marketing system, and the remainder is distributed among the civilians under the watchful eyes of our price and rationing controllers. Even those who believe the strongest in a privately managed economic system agree that this whole procedure is absolutely necessary for our war time operations. And it is a credit to the good sense of the American people that they are taking it in stride.

Most of our plans now are being made primarily for the duration. This is because the period of the duration is now the most important period. Many of our people, however, are looking on ahead to the time when peace must come. They ask the question: How will our postwar economic and political systems operate? Will there be a land of plenty, under a government of and by the people? Speculation based on trends can throw some light on the answer to these questions. We can be fairly certain, for example, that American business will never reverse itself, and assume its pre-war forms. It would be easier to unscramble eggs than to rebuild our war time industrial system on a pre-war basis. The present owners would hardly want a 1941 business in a post-war economy. The huge reservoir of civilian demands being built by war time scarcities will make absolutely necessary some form of price, priority, and rationing controls long after the war program ends. In other words, our pre-war economic needs, and later the war needs, forced our government to assume controls which will remain in one form or another long after the military fight is over. This means that government will be much closer to the individual citizen than it has ever been before in a peace time economy. This being true, we might well ask, How will our people respond politically to a peace time system of close governmental supervision?

As has often been pointed out, in Europe the control of economic life did not shift to the masses when it left the hands of the capitalists—it shifted to the planners and managers of the state *sans* popular control. The states became totalitarian. The masses became the controlled. There are those who see our economy coming under the control of state managers. They look across to Europe and see what took place in those

countries that established complete state-controlled economies. These people then conclude that in a few years the relation between individual and government in this country will be the same as it is in certain European states. Before this conclusion is drawn, however, we should keep in mind the fact that no currently dictator-controlled state has had behind it a one hundred and sixty-year period of constitutional government. The American people on the other hand have made the instruments of popular control operate more or less successfully for this long period of time. Hence neither comparisons nor history will give us an infallible explanation of what the present politico-economic changes will mean to the American people.

Experience teaches us that he who controls the economic life of an individual wields a powerful influence in controlling his political and social life. Our students of economics tell us that many employers control the speech and votes of their employees merely by controlling their daily bread. There is little reason to believe that if the government becomes the employer on a large scale, and unworthy people secure control of the government, that the speech and votes of those people who secure their daily bread from the government will not be unduly influenced by these unworthy agents of government.

The amount of unjustified control which our government would be able to exercise over the people will depend upon the answer to the following question: Is the political intelligence of the American people keeping pace with the expanding complexities of the American government? If it is not, then effective popular government is losing ground. Today even our educated people are so engrossed in personal and private problems, and the little inconsequential things of life, that they seldom have time to give sustained thought to even the most important public matters. Even our educational system has done little to develop a high degree of political intelligence among our people. Each of you can recall what has happened in elections in recent times in Oklahoma, Louisiana, Mississippi, Georgia, and Texas—indications of a rather low level of political understanding. With the modern means for creating and using propaganda, an able demagogue can sweep a majority of our voters off their feet. And yet, if we keep any semblance of democratic government we must let our voters elect many of the key men in the government. We all know that man has not been able, as yet, to fashion a piece of governmental machinery which will give the operator of this machinery the authority to do right without at the same time giving him an equal amount of authority to do wrong. For this reason we should

think of our government as being composed not only of personalities but also of devices and instruments. We should be conscious of the fact that these devices might be operated quite differently by different personalities unless there can be assurance that only the better type of personality will be selected to operate the machinery of government.

In closing let me say that I do not offer any opinion as to the rightness or wrongness of the trend away from capitalistic economy, and the corresponding trend toward the increase of governmental powers. These things we can accept as established facts. The problem becomes one of readjusting our instruments of popular control to fit these facts. I am interested in keeping alive, through the changes which are now taking place, the seed for a popular form of political organization, more intelligent and more efficient than that which we had in pre-war days. Regardless of whether we revert to the pre-war form of political and economic organizations, or whether we go to the very brink of totalitarianism, I trust that effective lines of control from the people to the government will be kept open. I am convinced that those who will be operating our government throughout this war will not sit down and with ulterior motives deliberately plan a political system in which the people have no effective means of control. But on the contrary, the people themselves, will urge, insist, and demand that the government increase its control over the daily activities of the American people, and through this control increase its functions as a service organization. This means that our government in the future will become a much bigger and a much more powerful organization—by request of the American people.

Up to the present the instruments with which our people have influenced and controlled the agents of government have been the ballot, the lobby, and the constitution. Up to the present these instruments have worked fairly well, but the government which they were controlling has been comparatively weak. It is reasonable to assume that a more powerful government will call for a more effective plan of popular control. Likewise, we can assume that this more effective plan of popular control must in some way be related to a politically more intelligent citizenship, which in turn must be related to our public educational system. And that is where we as educators enter the main thesis of this study—a thesis which calls for the providing of the assurance to our boys in uniform that when they return they will find that those who stayed here took proper care that "a government of the people, by the people, and for the people should not perish from the earth!"

The War and the Cattle Industry of the Southwest

C. ALLEN TRUE AND WM. J. HAMMOND
Texas Christian University

Beef will win the war! Many cattlemen and farmers in the Southwest recall with distaste this slogan of 1917-1918. The "Food for Freedom" program instituted in 1942 will probably be equally odious twenty years from now. In both instances the desire of the American government has been and will be to increase production for the purposes of national defense. Over-production, lowered prices, and depressions rewarded the Southwesterner in the post-war world of the twenties; the same will probably be his inheritance in the post-war world of the forties or fifties.

At the inception of war in 1914, the United States was faced with a decline in beef production and actually suffered a deficit. The first fourteen years of the twentieth century were years of transition for the livestock industry, and especially with respect to beef. Many and varied were the factors which were responsible for the change. The American frontier, which formerly offered abundant land and cheap forage, was gone forever. The great cattle ranges had been broken up for agricultural pursuits. The cattle industry was unable to compete with agriculture on tillable lands. Concomitantly, crops seriously interfered with the movement of cattle from the summer and winter areas and with their passage to and from the better feeding grounds. Overstocking and premature grazing also contributed to the rapid decline noted during the early years of the twentieth century. Besides, beef exportation began to decline, as foreign states began to increase their own production. There was a twenty-five percent decrease in the number of beef cattle in the United States between the years 1907 and 1914; this romantic industry seemed to have reached its end in the American economic order.

With the coming of the world conflict (1914-1918), however, the American government, supported by its people, called upon the cattle producer in the Southwest to increase both the quantity and the quality of his herds. With these demands came a period of slight prosperity, and also increased production in 1916 and 1917; the millenium seemed

to have been reached when, in the latter year, a herd of thirteen hundred steers sold in Kansas for the fabulous sum of one hundred dollars per head. Such war-time prosperity was short lived and the price of more than fifteen dollars per hundred pounds paid for native steers in 1918 began to decline in 1920. By the close of the year 1921, the price had gone down to approximately seven dollars. It must be noted that the average price per hundred pounds did advance slightly during the years 1926-1930, approaching an increase of one dollar and twenty-five cents.

During the darkest years of the great depression, 1932-1934, prices were driven down to \$4.25 in 1932; \$3.75 in 1933; and \$4.13 in 1934. Low prices and natural causes, such as drouths, often resulted in complete bankruptcy for the cattleman of the Southwest. Recovery was slow during the period of economic up-swing from 1935 to 1940; in the latter year the price, though higher than it had been since 1930, was only \$7.52.¹ It becomes apparent that the stockman was a victim of a malicious system which demanded over-production to meet a temporary need and offered no planning to meet the loss of European markets and increased competition from certain Latin American states at the conclusion of hostilities in 1918. The past seems to point the way to a similar experience at the conclusion of the present conflict. High prices today foreshadow the low prices of tomorrow.

Unfortunately the task of analyzing the position of the cattle producer in the period of readjustment at the close of the war is not confined to the specific problems of lowered prices, decreased markets, and deflated standards of living. Even the full consideration of natural causes, such as drouths and floods, cannot complete the pattern of the cattleman's future. Other factors constitute genuine and serious menaces to the prolongation of the temporary prosperity being enjoyed by the rancher today. Foremost among these must be listed the evils of excessive distributor and processor fees; the possible future policy of the federal government in purchases for the armed forces of this country; and the sacrifice of local interests in behalf of the Good Neighbor Policy as personified in recent reciprocal trade agreements.

An erroneous opinion has grown up in the United States that the retail price of beef indicates the income of the producer. This argument

¹ Edna M. Jordan (compiler), *Livestock, Meats, and Wool Market Statistics and Related Data, 1940*. Washington, D. C.: United States Department of Agriculture. Agricultural Marketing Service, May, 1941, p. 74.

fails to take account of the control exerted over the market by the distributor and the processor. While it is true that the rancher does enjoy a period of temporary well-being, it is not a healthy one and is desired neither by him nor by the retailer, for further increase in prices will mean a decrease in consumption, which in turn will ultimately work against the best interests of both. The distributor has no such misgivings, however, for the price of beef in no way affects his return—it remains the same in boom times and in periods of depression. The price received by a producer has no direct ratio to the retail price. The cost assessed by the distributor remains the same. In New York in 1937, when carcasses were selling for twenty-three cents, the distributor was adding sixteen cents for distribution; four months later, when the price of carcasses was reduced to thirteen cents, the distributor was still adding the customary sixteen cents for services rendered.²

The lesson is clear—give the beef to a distributor, and the price would still have been sixteen cents a pound to the consumer. It is easily recognized that such a system, dominated by the major meat monopolies in America, the great packing concerns, means both high prices for the meat-eating public and low prices for the cattleman, who accepts all hazards attending his industry. The raiser is forced as a result of both natural and artificial causes to take his set-backs in the form of lowered prices, and yet these are not in turn reflected in substantially cheaper beef for the consumer; there is no evidence of a sharing of profits and losses between the producer and the processor. As early as 1916 the Federal Trade Commission established the fact that five large establishments handled 82.4 percent of all cattle slaughtered under federal inspection; that is, slaughtered by firms doing an interstate business. One other company, which brought up the rear, handled as much as one percent, and this was the only one to enjoy such a favored position outside the all-protective influence of the Big Five.³

More recently, on November 28, 1941, fifty-two defendants were indicted by a federal grand jury in Chicago on charges of conspiracy to fix not only the prices to be paid for livestock but also those to be

² "Trade Agreements Affecting Live Cattle and Chilled Beef Imports. Extension of Remarks of Hon. Phil Ferguson of Oklahoma in the House of Representatives, Thursday, April 7, 1938," *Congressional Record, Appendix of the Third Session of the Seventy-Fifth Congress of the United States of America*, Volume LXXXIII, Part 10 (March 28, 1938-June 1, 1938). Washington, D. C.: Government Printing Office, 1938, 1401.

³ Lynn Ramsey Edminster, *The Cattle Industry and the Tariff*. New York: The Macmillan Company, 1926, pp. 36-37.

charged for meat. The defendants included fourteen meat-packing firms, thirty-seven individuals, and the American Meat Institute. The indictment stated that those packers who belonged to the Institute controlled approximately ninety percent of all meat sold annually in the United States.⁴ Until successful regulatory measures can be established over the charges of the distributor, both the producer and the consumer of beef will be the victims of a monopolistic control as now established and of long standing.

A second and probably more serious danger in so far as the cattle producer of the Southwest is concerned, appears in the form of recent army specifications for beef. The Quartermaster Division in the establishment of a new set of grade specifications provided that no beef cattle grading under "Number Three" would be accepted in fulfillment of future army contracts. Formerly, the army bought beef according to a three-grade system which was designated as A, B, and C. The majority of range-fattened steers in the Southwest are graded "Number Four." Under the new system range-fed beeves would not be permitted to compete on army contracts. It is generally assumed that less than three percent of Texas fattened cattle would qualify under the new rating, and that a similar percentage in New Mexico, Oklahoma, Colorado and Arizona would be ineligible. Application of the new specifications would benefit the beef producer of the Corn Belt. While it is rather generally agreed that these new restrictions have not been employed, it is, nevertheless, expedient to keep them in mind. As demand increases, these specifications could be used to the benefit of the "feedlot" operators of the Corn Belt and to the detriment of the rancher of the Southwest.

Such discrimination against this geographical area might be defensible if it were not for the fact that the beef of the Southwest is just as palatable and nutritious as highly finished corn-fed beef of corresponding grade. Furthermore, range-fattened beeves are more economical than those fed in a "feedlot," for a large amount of fat must be removed before the latter can be cooked and served. Before the day of army contracts, the heavy beeves from the Southwest went largely to consumers in eastern areas. As a result, in recent years most of the heavy steers from Texas and adjoining states have been purchased with a differential against them to offset the cost of transportation. Army contracts have made possible greater purchases in the local markets of the

⁴ Fort Worth *Star-Telegram*, Morning City Edition, November 29, 1941, p. 3, col. 4.

Southwest than have heretofore been possible, and higher prices have been forthcoming. If the cattleman in this area is forced to depend again upon an eastern market, as he would be forced to do under the new army specifications, he must face a price adjustment to offset the freight differential. This means that he would receive at least one dollar a hundred pounds less than he has been receiving at his local market. Dislocation of the entire economy of this section would result. The producer would receive a lower price for his product; he would have to pay a higher price for his winter feed; he would remain the victim of all natural and artificial factors which affect his industry; and he would be called upon to face the ever increasing cost of living and new tax demands. Ultimately, the local cattle markets would suffer through the loss of numerous carloads of range-fed steers. Institution of the new gradings would mean that, once again, the Southwest had become the victim of an unjust and inequitable economic policy—this time at the hands of the Quartermaster Division of the United States Army. It seems entirely possible that war-time prosperity, at least for this section of the United States, might be regulated and temporary economic advantages might be eliminated.

Another evil which could arise must be noted. At the present time plans are being formulated and efforts are forthcoming to obtain the release of beef products for lease-lend shipments to states receiving this aid. Should the new regulations be established it may be assumed that livestock would also be barred from export as a lease-lend commodity.

A final evil which threatens to destroy the entire economy of the Southwest is the reciprocal trade agreements program of the present administration. This program is based upon the Trade Agreements Act of June 12, 1934, and has been extended on two occasions for additional periods of three years—from June 12, 1937, and from June 12, 1940. The primary purpose of this Act avowedly was to increase foreign markets for the products which could not be consumed locally. Unfortunately, the rewards have not been encouraging.

One remembers too well the words of Franklin Delano Roosevelt spoken in Baltimore, October 25, 1932, when he said:

"It is absurd to talk of lowering tariff duties on farm products. I know of no effective excessively high tariff duties on farm products. I do not intend that such duties shall be lowered. To do so would be inconsistent with my entire farm

program, and every farmer in the United States knows it and will not be deceived."⁵

This statement, taken at face value by millions of Americans, was soon replaced by the reciprocal trade policy of President Roosevelt. In the first agreement with Canada which went into effect January 1, 1936, the duties on beef cattle were substantially reduced. For example, the charge on cattle weighing 700 pounds or more was reduced from three to two cents a pound; and on calves weighing less than 175 pounds, it was reduced from two and one-half to one and one-half cents. Under the low duty terms of this reciprocal agreement the United States in 1938 imported 434,022 head of cattle from Canada, while exporting only 3,059 head.⁶

The meaning of these new duties is apparent. In the first place they could not adequately protect the American producer; in the second place, adjustments in livestock industries are difficult because they cannot shut down and dismiss employees when demands diminish. The influx of Canadian cattle decreased the need for local products, and the producer in the United States was forced to sell at ruinous prices. It is not to be assumed that the actual number of cattle crossing the Canadian line, and sold in competition with those of the United States, constituted the major evil, but rather that they could and did come into the American markets at all. As already noted in this discussion, the producer is forced to sell his product in a closely controlled market where the buyers, who in turn largely represent the monopolistic concerns, use every available means to lower the prices. The major companies used Canadian beeves to good advantage. In like manner, the reciprocal agreement of 1935 was directed only against the interest of those cattlemen who produced feeder cattle, namely, those in the Southwest and the Northwest, since the only reduction made in the tariff was on feeder cattle—clearly an unjust discrimination favoring the interests of eastern feeders.

The advocates and defenders of such policies and programs point to the small percentage of Canadian cattle on the local markets and em-

⁵ Cited in *Congressional Record. Proceedings and Debates of the Seventy-Sixth Congress, First Session*, Volume LXXXIV, Part 1, (January 3, 1939-February 6, 1939). Washington, D. C.: United States Government Printing Office, 1939, 518.

⁶ *The Cattle Industry and the Trade Agreements with Canada*. Washington, D. C.: Department of State, February, 1940, p. 2; *Congressional Record. Proceedings and Debates of the Seventy-Sixth Congress, First Session*, Volume LXXXIV, Part 5, (April 24, 1939-May 18, 1939). Washington D. C.: United States Government Printing Office, 1939, 5146.

phasize the fact that such insignificant percentages could hardly constitute a major evil. However, it must be recognized that an increase of ten or fifteen loads of steers on a market whose daily sales are approximately twenty loads will and does result in low prices. It has been noted by the Saint Louis Live Stock Exchange that a few hundred head of steers added to the usual supply means the difference between a lower and higher market. In like manner, the Department of Agriculture estimated that in 1937 the imports of live cattle plus the live-weight equivalent of the canned beef equalled six percent of all slaughter under Federal inspection. In breaking this estimate into its component parts, one will find that approximately 16,000,000 head were slaughtered under Federal inspection in the year 1937, and according to the government's own figures, one can but conclude that an equivalent of approximately 960,000 head was imported. Further analysis will reveal that about 600,000 grown cattle, or two-thirds of a month's supply, and 360,000 calves, or three-fifths of a month's supply, were imported. Six percent seems negligible; it is not negligible, however, when one realizes that markets were run for almost a month by foreign importations.⁷

The evidence cited above deals with only one foreign state, but it serves as a splendid example of the reward thus inherited by the local cattle producer, and finds its counterpart in other agreements of similar nature. As a result of a new reciprocal agreement with Canada effective January 1, 1939, the two-cent duty of 1935 was reduced to one and one-half cents a pound and the annual quota was increased by almost 70,000 head; the 1938 agreement retained the former rate in relationship to calves, but increased the annual quota from 51,933 to 100,000 head and the weight limit was raised from 175 pounds to 200 pounds.⁸ This new trade pact bore an immediate and most evil fruit, for the first five months of 1939 under its operation witnessed an increase of more than 80,000 head over the corresponding period for 1938. The situation in relation to our sister state to the south, Mexico, was even more pronounced, the gain in this case for the same period of time being ap-

⁷ "Trade Agreements Affecting Live Cattle and Chilled Beef Imports. Extension of Remarks of Hon. Phil Ferguson of Oklahoma in the House of Representatives, Thursday, April 7, 1938," *op. cit.*, Volume LXXXIII, Part 10 (March 28, 1938-June 1, 1938). Washington, D. C.: Government Printing Office, 1938, 1401.

⁸ *The Cattle Industry and the Trade Agreements with Canada*. Washington, D. C.: Department of State, February, 1940, p. 2.

proximately 154,500 head.⁹ Probably of greater significance are the shipments for the first two weeks of that year, when the imports of live cattle from Mexico and Canada were the highest ever recorded—more than five times as great in January, 1939, as in January, 1938. The imports in this case amounted to 11.7 percent of the inspected cattle slaughtered in American yards.¹⁰ Similarly, total imports for the first six months, 1941, numbered 427,000 cattle and calves, which was about 55,000 head more than during the corresponding period a year earlier.¹¹ Figures of this nature prove rather conclusively that the United States has been, and still is, importing competitive foreign products.

Furthermore, one readily recognizes that the rancher's chief market, the American consuming public, constituting the greatest market in the world, has been invaded; and if the "Good Neighbor Policy" is permitted to expand and to operate at the conclusion of the present conflict, then the cattle business of the Southwest may easily suffer a blow from which it will never recover. Additional figures might be cited to substantiate this contention—the increase from Canada for the dates January 1-May 11, 1939, was 174 percent over the corresponding period a year earlier. The imports from Canada during these months would have furnished sufficient beef and veal for approximately two million people; or, during the early months of 1939 more cattle were imported than were accounted for in the total sales at the Union Stock Yard at Chicago, the greatest cattle market in the world.

It must be remembered that the foregoing figures apply only to live cattle and do not take into account canned beef, chilled meats, and the like which come in from certain Latin American states, particularly Argentina. In the recent trade agreement between the United States and Argentina, which was signed October 14, 1941, it was noted that 88,000,000 pounds of canned beef was imported into the United States in 1937, and over 61,000,000 pounds in 1940. Also, one recalls that this same agreement altered the act of 1930, which provided that

⁹ "Importation of Meat Products Continues—Meat Imports for 1 Week at One Port of Entry, New York. Extension of Remarks of Hon. Bertrand W. Gearhart of California, in the House of Representatives, Wednesday, July 26, 1939," *Congressional Record. Proceedings and Debates of the Seventy-Sixth Congress, First Session. Appendix*, Volume LXXXIV, Part 14 (July 13, 1939-August 5, 1939). Washington, D. C.: United States Government Printing Office, 1939, 3560.

¹⁰ *Congressional Record. Proceedings and Debates of the Seventy-Sixth Congress, First Session*, Volume, LXXXIV, Part 3 (March 7, 1939-March 29, 1939). Washington D. C.: United States Government Printing Office, 1939, 3181.

¹¹ *The Livestock Situation*. Washington, D. C.: United States Department of Agriculture. Bureau of Agricultural Economics, LS-26 (August, 1941), p. 9.

corned beef hash was dutiable at thirty-five percent *ad valorem*, by reducing the rate to twenty per cent *ad valorem*.¹² As Senator Butler of Nebraska said at the time of its passage, the agreement stands as "one more evidence that this Administration is not interested in the welfare of the American farmer." Continuing, he called attention to the fact that the producers of beef cattle, dairy products, wool, and flaxseed are once more to be "sacrificed under the time-worn excuse of a national emergency."¹³

Finally, one is forced to recognize the fact that the United States, while permitting the importation of foreign cattle at preferential rates, at the same time exports a certain percentage of its domestic stock. Likewise, it must be realized that importation is not in harmony with exportation. Specifically, in 1935 the United States imported 86,491,000 pounds of beef and veal, and exported only 12,609,000 pounds; in 1940, importations stood at 75,452,000 pounds and exportations at 16,654,000.¹⁴ This should be *prima facie* evidence that consumption, as well as importation, has actually decreased under the force of rising prices.

There appear to be two courses which might be pursued at the conclusion of the present conflict: first, a system of cooperation, and, second, a continuation of the present order. Under the former, one might expect increased production and at the same time a greater consumption. Small cooperative slaughter pens and refrigerator services might be established through combined efforts of the producer and the consumer. The reward for the cattle raiser would be in the form of freedom from monopolistic processing charges and also release from differential freight rates to northern and eastern points. The entire industry would fall into a pattern similar to that of the cooperative fruit businesses of California and those of like nature in many of the Western states.

On the other hand, if the present policy is continued, the cattleman will be forced to take certain precautions. Although the gross income from livestock and livestock products in 1940 was six percent higher than in 1939,¹⁵ it should be kept in mind that lower prices always fol-

¹² *Trade Agreement between the United States and Argentina. Signed October 14, 1941. Analysis of General Provisions and Reciprocal Benefits.* Washington D. C.: Department of State, October 14, 1941 (No. 495), pp. 22-23, 28.

¹³ Fort Worth *Star-Telegram*, Morning City Edition, October 15, 1941, p. 1, col. 1.

¹⁴ Jordan, *op. cit.*, p. 55.

¹⁵ *Gross Farm Income and Government Payments.* Washington D. C.: United States Department of Agriculture. Bureau of Agricultural Economics, May 26, 1941, p. 2.

low. The nature of war-time prosperity is readily noted when one considers that the average price for beef cattle for the first four months of 1941 was \$8.33 as compared with an average price of \$6.99 for the same period in 1940,¹⁶ while the sum paid for good grade steers at the Chicago market was \$11.50 for the week ending October 11, 1941.¹⁷

The herds have been expanding in numbers since the early part of 1938. The 1941 cattle figure in the United States probably totaled about 71,000,000 head, or an increase of 5,600,000 in a period of three years, the total being short of the record level of 1934 by only some 3,500,000 head. Recent surveys indicate that the population in this country will continue to expand for the next fifty years, but at a constantly decreasing rate. Naturally, such an increase will result in new demands. The cattle producer, however, must keep before him the evidences of his unnatural prosperity today, and the inevitable decline in purchasing power at the conclusion of the war. The most expedient policy, and the most practical, seems to be one which would look toward developing cattle marketing rather than increasing numbers. One need not remind the cattleman of the Southwest that the industry in which he is engaged entails large expenditures each year for purchases of feed, and that when numbers are increasing, more capital is required. Neither is it necessary to call attention to the fact that much of this money is borrowed, and that increased indebtedness implies larger interest payments. The wise policy would seem to be to retain the herds at as nearly a static number as possible; and increase cattle marketing while there is a demand and while the defense program is resulting in a relatively high level of national income. The producer may be able in this way to prepare for price declines in the future.

Experience in the past should make the cattleman a little cautious in his attempt to attain the production goal for 1942, as established by the Secretary of Agriculture, which calls for a total slaughter of cattle and calves of approximately 28,000,000 head. This would require an additional 3,000,000 head over the total for 1941. No doubt, as the Department of Agriculture has pointed out, there may be increased consumer demands, possibly the strongest since the last war. With the average price received for all cattle in 1941 higher than at any time

¹⁶ *United States Imports of Beef and Veal*. Washington, D. C.: Department of State, May 2, 1941, p. 3.

¹⁷ *The Livestock Situation*. Washington, D. C.: United States Department of Agriculture. Bureau of Agricultural Economics, LS-28 (October, 1941), p. 8.

since 1929, there will be great temptation to raise more cattle in the hope of making more money.¹⁸ Thus it is clear that even if beef should win the present conflict, over-production will ultimately leave the rancher with overstocked ranges, low prices and the inevitable depression, which will result from declining world markets.

¹⁸ *The Livestock Situation*. Washington, D. C.: United States Department of Agriculture. Bureau of Agricultural Economics, LS-27 (September, 1941), pp. 12-13.

The Bank Deposit Insurance of Texas*

W. NELSON PEACH
The University of Texas

The State of Texas was for a long time hostile to incorporated banks. In the convention of 1845 which drafted a constitution for the new State of Texas, a specific prohibition against incorporated banks was adopted. With the exception of the brief period from 1869 to 1876, incorporated banks were prohibited by the State Constitution until 1905 when the law authorizing the present State Banking System was established. Four years later, in 1909, a plan was inaugurated for the purpose of insuring depositors of State banks from losses due to failures. This plan, called the Guaranty Fund System was more or less successful until a series of scandalous bank failures in the middle Twenties made such heavy calls on it that it was unable to meet the demands, and the law establishing the Guaranty Fund was repealed in 1927. A lengthy report on the liquidation of its affairs was filed in the Court at Travis County in 1932. One year later Texas again embarked on an ambitious program for the insurance of deposits in State banks. The plan was doomed before it ever started and was abolished in 1937 by another legislative Act. After an initial flurry of interest following closely its adoption in 1933, the plan was never very important; nevertheless, it seems to warrant a brief historical resume while records are complete and intact.

The State insurance plan, begun in 1933, followed closely the adoption of the federal plan for the insurance of bank deposits in June of that year. The writer is reliably informed that the idea of starting another state insurance plan at this time was conceived by a prominent north Texas banker who was opposed to the movement by the federal government to encroach on the affairs of the State banks of Texas. An implication of this opposition is found in Section 1 of the Texas law setting forth the State policy with regard to deposit insurance as follows:

Art. 489a. Sec. 1. State policy as to deposit insurance.—It is hereby declared

* Most of the information contained in this article was taken from records in the offices of the State Banking Department, Austin, Texas. The records include a complete set of the minutes of the Board of Directors of the Bank Deposit Insurance Company.

to be the public policy of this State to afford depositors of every State Bank and of every State Bank and Trust Company, organized under the laws of Texas, a plan of protection comparable to and equally as effective as the protection afforded depositors of banks by the Federal Deposit Insurance Corporation under what is styled "Banking Act of 1933," enacted by the Congress of the United States of America. . . .¹

The Act provided for a corporation under the name of the Bank Deposit Insurance Company. General management of the affairs of the Company was vested in a Board of Directors, of which the Commissioner of Banking of the State of Texas was at all times to be an *ex officio* member. Special provisions were made with respect to the selection of directors who were to serve until January 1, 1935. After that date, the board was to consist of five members, including the Banking Commissioner. Four directors were to be elected by banks which joined the state insurance plan.

Membership in the Bank Deposit Insurance Company was voluntary. Only state banks and trust companies chartered by the State of Texas were eligible for membership. State banks and trust companies which were members of the Federal Reserve System and/or which joined the Federal Deposit Insurance Corporation were not eligible for membership in the state insurance plan. All other state banks and trust companies were eligible for membership upon receipt of a certificate of solvency from the Banking Commissioner. Solvency, as defined in the law, meant banks whose capital had not been impaired. Banks which met the above requirements, but which did not wish to join, were required to notify the Banking Commissioner of their wishes before January 1, 1934.

The Bank Deposit Insurance Company was financed entirely by contributions from banks which joined the insurance plan. The company required two types of payments from its members. First, each bank that joined the plan was required to subscribe to the stock of the Bank Deposit Insurance Company an amount equal to five per cent of such member bank's capital stock. The aggregate stock thus subscribed constituted the capital stock of the Bank Deposit Insurance Company. Of the amounts thus subscribed, each bank was required to pay in immediately to the Company 25 per cent; the remaining 75 per cent was to be kept on deposit with the subscribing member bank subject to demand withdrawal by the Company.

¹ House Bill No. 51, Chapter 9, 43rd Legislature, First Called Session (1933).

The second type of payment was a monthly levy on member banks based on the amount of each bank's loans. The rate of assessment was as follows:

First, at the rate of three-fourths of one per cent per annum until January 1, 1937.

Second, at the rate of one-half of one per cent per annum from January 1, 1937 until January 1, 1940.

Third, after January 1, 1940, at the rate of one-fourth of one per cent per annum.

Obligations of the United States Government were specifically exempt from the above levies, although obligations of the State of Texas and its political subdivisions were assessed at the following rates:

First, at the rate of one-half of one per cent per annum from January 1, 1934 until January 1, 1940.

Second, at the rate of one-fourth of one per cent per annum from and after January 1, 1940.

These assessments were to become part of the surplus of the Bank Deposit Insurance Company and were to be used when needed for the purpose of affording protection to depositors in member banks. It was optimistically provided that when the surplus fund of the company reached the sum of \$25,000,000, exclusive of all losses paid, the directors might temporarily suspend collection of the monthly payments, until the surplus fell below \$24,000,000 at which time monthly payments were to be resumed.²

The theory of using loans as a basis for monthly assessments was unique and illogical. Most plans for the insurance of bank deposits based assessments either on capital stock or average deposits. The latter method is currently employed by the Federal Deposit Insurance Corporation. The plan of basing assessments on loans apparently was undertaken in an effort to tax only the earning assets of banks. This appears to be somewhat illogical since the deposits protected by the insurance plan included idle deposits as well as those arising from loans and investments on which interest was earned.

The liability of banks which joined the insurance plan was limited to the capital stock requirement and the monthly assessments, as set forth

² The gross amount collected under the monthly payment plan from the beginning of the Bank Deposit Insurance Company until its dissolution amounted to \$23,794.36, less than one-tenth of one per cent of the \$25,000,000 fund contemplated. This is before making any deductions whatever.

above. Except for that part of its capital which was permitted to remain on deposit with the member banks, funds accumulated by the Bank Deposit Insurance Company and not immediately needed in the performance of its duties were to be invested in certificates of indebtedness of which both principal and interest were fully guaranteed by the United States Government.

The Bank Deposit Insurance Company was required to pay depositors of failed banks within thirty days of the closing of such banks. The insurance plan applied only to unsecured deposits of banks. From January 1 to June 30, 1934, all unsecured deposits were fully insured up to \$2,500 for any one depositor. On and after July 1, 1934, the insurance liability of the Company to any one depositor increased as follows:

100% of such amount not exceeding \$10,000

75% of such amount exceeding \$10,000 but not in excess of \$50,000

50% for all amounts in excess of \$50,000.

The first meeting of the Board of Directors of the Bank Deposit Insurance Company was held on October 26, 1933, at Austin, Texas. At the meeting the original board of directors formally accepted their positions and adopted by-laws for the Company. Dan E. Lydick, of the Union Bank and Trust Company of Fort Worth, was elected president of the Company, to serve without additional compensation.³

In November, 1933, the directors of the Company put on a campaign to induce banks to join the insurance plan. A series of letters was sent out to eligible banks "talking up" the insurance plan and urging banks to join right away. In a letter dated November 1, 1933, it was pointed out that, in answer to requests, a form of resolution for Boards of Directors making application to become members was enclosed. It was hastily added, however, that if the board of the bank passed some other resolution in proper form it would "most certainly be accepted." It was further pointed out that the Banking Department was receiving daily applications for membership and that the applications were being passed on by the Commissioner of Banking as fast as possible. The letter then urged banks to forward their application and resolution of the Board of Directors as quickly as possible so that the Commissioner would not find his desk congested with applications just before January 1, 1934, when the plan became effective.

On November 6th and 7th, 1933, letters were sent out announcing

³Directors each received \$50.00 for each meeting attended, in addition to travelling expenses. In 1935 the president's salary was raised to \$100 per month.

meetings to be held in various parts of Texas between November 10th and November 16th for the purpose of explaining the mechanics of the insurance plan to prospective member banks. Meetings were held in Amarillo, Sweetwater, Fort Worth, San Antonio, Houston, and Jacksonville. It was announced that the Banking Commissioner would attend each of the meetings and that one or more of the directors of the Bank Deposit Insurance Company would be present. All banks were urged to have representatives at these meetings.

The unenthusiastic response of the banks to this campaign wrote the death sentence of the Bank Deposit Insurance Company. It was apparent to the directors, when they met in December, 1933, that the Company could not perform the services for which it had been established. At the meeting there was a lengthy discussion regarding the failure of State banks of Texas to support the insurance plan. President Lydick pointed out that, since it had not received the support of state banks as anticipated, the structure of the Bank Deposit Insurance Company was inadequate to perform the function of insuring the deposits of state banks. It was suggested that each member bank of the Company be notified of the inadequacy of protection, but some of the directors maintained that their duties consisted of administering the law and that to give out information regarding the inadequacy of protection was

TABLE I
NAMES AND OTHER INFORMATION ABOUT STATE BANKS THAT JOINED THE
BANK DEPOSIT INSURANCE COMPANY

<i>Town</i>	<i>Name of Bank</i>	<i>Capital Stock</i>	<i>Subscription, 5%</i>	<i>Amount Remitted, 1/4 of 5%</i>
Prosper	Prosper State Bank	\$ 20,000	\$ 1,000	\$ 250.00
Brookshire	Farmers State Bank	25,000	1,250	312.50
Chico	Chico State Bank	25,000	1,250	312.50
Chriesman	First State Bank	10,000	500	125.00
Elysian Field	Security State Bank	15,000	750	187.50
Groesbeck	Farmers State Bank	25,000	1,250	312.50
Iredell	Iredell State Bank	20,000	1,000	250.00
Kopperl	The Kopperl State Bank	10,000	500	125.00
Leander	First State Bank	15,000	750	187.50
Marion	Marion State Bank	30,000	1,500	375.00
Mobeetie	The First State Bank	20,000	1,000	250.00
Ore City	Security State Bank	15,000	750	187.50
Rochester	The Home State Bank	17,500	875	218.75
Round Rock	Farmers State Bank	25,000	1,250	312.50
Slaton	Citizens State Bank	25,000	1,250	312.50
Spur	Spur Security Bank	50,000	2,500	625.00
Stockdale	Security State Bank	20,000	1,000	250.00
	TOTAL	\$367,500	\$18,375	\$4,693.75

beyond their powers. It was unanimously agreed, however, that each of the directors might give out such advice as he deemed proper, without in any way indicating that such views were those of the Bank Deposit Insurance Company. The Company, indeed, began operations under most inauspicious circumstances on January 1, 1934.

When the Company went into operation on that date, it had seventeen members. The following table gives the names, location, capital stock, the subscription of 5 per cent of each bank's capital to the capital stock of the Bank Deposit Insurance Company, and the amounts actually remitted to the company.

It will be noted from Table I, above, that the original capital stock of the Company consisted of \$18,375, of which amount \$4,693.75 was actually paid in. The Prosper State Bank withdrew from the plan in July, 1934, and thus reduced the paid-in capital of the Company to \$4,343.75. In December, 1935, the Iredell State Bank withdrew from the Bank Deposit Insurance Company.

No other banks ever joined the Bank Deposit Insurance Company and the necessity of abandoning the insurance plan soon became obvious. By the end of 1935 all but 79 of the 884 banks in Texas had joined the Federal Deposit Insurance Corporation.⁴ The initiative to abandon the state insurance plan came from the Board of Directors of the Bank Deposit Insurance Company. At its meeting on December 12, 1935, a formal resolution was adopted and sent to Governor James V. Allred requesting that he submit to the Legislature the repeal of the Act creating the Company.

The next meeting of the board was held February 10, 1936, the principal item of importance being the notice that two more banks had withdrawn from the Company. At the next meeting of the board on Au-

⁴ Of this number 454 were national banks and an additional 52 state banks were members of the Federal Reserve System. These banks were required by federal law to join the Federal Deposit Insurance Corporation. An additional 299 state banks, that did not belong to the Federal Reserve System, voluntarily joined the Federal Deposit Insurance Corporation. It should be recalled that banks which joined the F. D. I. C. were ineligible to join the Bank Deposit Insurance Company.

Some of the banks that applied for admission to the state insurance plan were either refused admission or were urged to join the Federal Deposit Insurance Corporation. To qualify for membership in the state plan, banks had to be solvent. The law defined solvency as banks whose capital stock was not impaired. Many of the banks that applied had impaired capital structures and the Bank Deposit Insurance Company had no method of lending money to such banks. But these banks could frequently qualify for membership in the Federal Deposit Insurance Corporation by selling income debentures to the Reconstruction Finance Corporation. Hence, the federal plan had a decided advantage over the state plan in this respect.

gust 3, 1936, it was noted that four more banks had withdrawn. There was a lengthy discussion of the affairs of the Company, after which a committee was appointed to see the Governor of Texas and urge him to submit to the Special Session of the Legislature a bill to repeal the Act creating the Bank Deposit Insurance Company. When the Board met again in December, 1936, the committee reported that the Governor had thought it best to wait until the next regular meeting of the Legislature. The Board thereupon unanimously adopted the following resolution:

Resolved, by the Directors of the Bank Deposit Insurance Company, in meeting of December 21, 1936, that the Legislature be requested to repeal the law creating this company, as we are not in possession of sufficient assets to protect the depositors of a member bank 100% in case of a failure.

Letters were also sent out to the remaining member banks asking that they express themselves in a letter, which the Board could use to support their request to the Legislature.

On April 23, 1937, the Legislature repealed the Act creating the Bank Deposit Insurance Company. The Banking Commissioner was directed to liquidate its affairs and distribute its funds ratably among the members. The liquidating task was not difficult. Fortunately, for the Bank Deposit Insurance Company, none of its member banks had failed; no claims of any kind were filed against the Company. At the time of the repeal of the Act, nine of the seventeen member banks had already withdrawn. As each bank withdrew the Company returned its capital stock contribution. On June 23, 1937, checks were sent to the remaining eight banks returning their capital stock contributions to the Company in full.

The only other funds of the Company consisted of money collected from members under the monthly assessment plan. Total receipts under this plan from January 1, 1934, through April, 1937, amounted to \$23,794.36. Total expenses of the Company for the same period amounted to \$10,927.98,⁵ leaving a balance of \$12,866.38 to be distributed among the members. Since all seventeen banks had contributed something under the monthly plan, each of the seventeen banks received a check representing its pro rata interest in the fund. Mailing of these two sets of

⁵ Expenses of the Company consisted of directors' salaries, the salary of the president beginning in 1935, salary of the stenographer, attorney fees, a small sum for office equipment and supplies, and other miscellaneous items.

checks to member banks completed the liquidation of the Bank Deposit Insurance Company.

There never was any valid reason for setting up the Bank Deposit Insurance Company and it never had a chance for even a moderate degree of success. The unhappy episode was fortunate for Texas banks in at least one respect, namely—the total expense of this fantastic and wholly unwarranted scheme amounted to something less than eleven thousand dollars.

The Defense Program and the Consumer —May 1940 to February 1942*

ELSIE S. JENISON

Texas State College for Women

Everyone is a consumer. It might seem that that fact would cause the problems of the consumer to take a primary place in the attention of the government and other social organization. This has seldom or never proved true. Rather have both social organizations and individuals tended to focus their attention on their problems as workers and as producers—in general as seekers of income rather than as spenders of income. Nevertheless, when the National Council of Defense was formed in May, 1940, on the basis of the wartime legislation of 1916, and charged with responsibility for "co-ordination of industries and resources for national security and welfare," Miss Harriet Elliott was appointed Commissioner at the head of a Division of Consumer Protection, taking her place beside commissioners who headed divisions for transportation, agriculture, production, raw materials, labor supply, and price stabilization. Leon Henderson was appointed at that time to head the Division of Price Stabilization.

By August, 1940, there began to appear an official weekly bulletin from the office of Emergency Management entitled "Defense"—since last November called "Victory." In this are to be found weekly reports of progress and problems of nearly a dozen government offices and agencies, contributed for the benefit primarily of state and local defense councils. Nowhere can a more interesting portrayal be found of the dramatic preparation of the country for the gigantic tasks of war. The building of houses for workers in intensified industrial areas, the programs of local communities to prepare for emergency protection of vital services and utilities, the stimulating or discouraging reports on production, priority orders to insure and stabilize this production, all are to be

* Events have occurred so rapidly with resulting effects on consumer interest that it is necessary to date rather definitely the period which the writer has endeavored to cover. There is little question that greater changes will occur in the future, and even within this period it has been impossible to include within the limits of this paper all of the interesting and significant developments.

found in these reports, and through them may be discerned a constantly increasing impact of war upon the interests of every consumer. In such a variety of ways is the consumer affected that it seems impossible even to classify the types of consumer involvement. In general, however, the consumer interests affected may be grouped under four main headings, food, clothing, housing, and a miscellaneous group too inherent in our standard of living to be called incidental.

The protection of consumer interests is unquestionably made more difficult because there exists no such well organized and vocal representative groups ready and eager to demand the safeguarding of consumer interests as work for labor and industry. Early in its program, the Division of Consumer Protection sought to clarify its problems by inviting the leaders of consumer organizations, national retail and wholesale groups, to make recommendations as to the needs and problems of the average citizen. The response indicated a major concern with price. Attention was also devoted to matters of quality, steady flow of goods, labor standards, health, and welfare.

Before entering upon a discussion of the actual work undertaken for consumer protection, it might be well to note changes which have occurred in its official organization. The original set-up of Advisory Commission to the National Council of Defense, in which Miss Elliott acted as Commissioner at the head of a Division of Consumer Protection, was modified on April 11, 1941, by an executive order of the President establishing the Office of Price Administration and Civilian Supply, commonly abbreviated to OPACS. Leon Henderson was named administrator of the new agency. Miss Elliott became assistant administrator. Another change in organization occurred on August 28, 1941, when President Roosevelt created a seven-member supply priorities and allocation board, headed by Henry A. Wallace. Under the new arrangement the OPACS had its name changed to Office of Price Administration with Leon Henderson remaining as administrator. The civilian supply branch was shifted to the Office of Production Management as a separate division, still headed by Mr. Henderson, to work out plans and programs for civilian allocation. Still more recently, on January 16, 1942, President Roosevelt issued an executive order setting up a War Production Board with Donald Nelson as head. This board has supreme control over the whole process of production for war purposes with power to allow or disallow production for consumer use which in any way affects war purposes. Since the use of raw materials, labor, power or transportation are

involved in any production, it is evident that no goods are conceivably free from this control.

Early in October, 1940, the Division of Consumer Protection under the leadership of Miss Elliott was expressing a definite concern with the problem of food and adequate diet. Faced with the fact that forty-five million of our population are living below the safety line of health, it was held that America could only be made strong for defense by wiping out undernourishment, and various ways to insure better diets were suggested. The Consumer Division was able to secure a considerable measure of assistance from other government agencies in protecting food prices and supplies. Military authorities co-operated in placing large orders for food and other commodities with such timing and spacing as would mitigate, so far as possible, price increases and shortages. In order to keep meat prices at reasonable levels the Secretary of Agriculture recommended that farmers raise more hogs and send more beef cattle to market. In April, 1941, The Department of Agriculture announced its intention of making purchases in the open market to support long term prices of hogs, butter, chickens and eggs. Although viewed by some as price pegging, the aim of the department was to induce increased production and assure ample supplies for civilian and military needs.

Early in 1941 the Consumer Division was already finding many individual food commodities presenting definite problems. Among these, as has already been indicated, were meat prices. Consumers were urged to buy meat by grade to insure getting their money's worth and were encouraged to resist price rises which were considered unwarranted. Certain food commodities, with no real justification at this time, rose in price because of "scare" buying, possibly deliberately fostered through advertising in order to induce sales. Among such commodities were sugar and coffee. Reserves of coffee had nearly doubled in a year and additional supplies could be secured by merely suspending quotas. Because we are now shut off from some of our sources of sugar supply and because alcohol from sugar has important war uses, it has become necessary to ration the consumer supply, though the quotas allowed should work no real hardship. Our reliance on foreign sources of supply for spices and condiments has since led to difficulties but "scares" have been chiefly responsible for the speculative rise in prices. In pepper, for example, a price ceiling has been required, although there is approximately a two and a half years' supply in the country.

Since there is a super-abundance of wheat, there would seem to be no reason for price control of bread. Early in the year, for the sake of the general health of the population, the National Research Council's Committee on Food and Nutrition urged bakers to produce enriched bread and flour. Neither of the two common methods of enrichment should cost over .2 of a cent per loaf. Nevertheless by midsummer the rise in the general price level was reflected in a rise in the cost of bread ingredients of approximately a half cent a loaf. A ceiling has not yet been put on bread, but bakers have been urged to reduce operating cost by using less expensive wrappers, and reducing stale returns. The Bureau of Home Economics has also published recipes for home made bread which can be produced for less than the retail market price.

Finally the whole range of canned foods has been affected by the threat of tin shortage. Before the growth of war industries fifty percent of all the tin consumed in the country was used by the canning industry. New demands and instability of supply have already led to regulations for the modification of the ratio of tin in cans, but this will not seriously affect the consumer so long as safe ratios are maintained. An increase in the crop of fruit and vegetables for canning has been stimulated, and every effort will be made to provide the means for preserving food. Less essential uses of tin cans for beer and biscuits, cocoa, coffee and dog food have already been sharply curtailed. A study of new methods for drying a wide range of vegetables which will preserve vitamins is considered especially significant because dried foods ship at much less expense than canned.

In general it appears that while there are elements of scarcity, the predominant characteristic of our food supply is that of adequacy. Prices are going up undoubtedly, on account of increased shipping difficulties, lend-lease purchases, and most especially perhaps, on account of the increased consumer purchasing power. There is little danger that we will not have enough of the necessities to feed ourselves and Britain. An increase in food crops is being facilitated by the previous organization of farmers under national farm programs. But an avoidance of scare buying and hoarding would make it less necessary to rely on price ceilings or rationing to prevent inflation.

The need for protecting the consumer in the matter of clothing was met in the early months of the defense program in ways similar to those used in the matter of food. The Division of Consumer Protection found it desirable from time to time to make suggestions as to the timing and

spacing of military orders in the consumer interest. The military authorities were also persuaded to relax requirements that domestic wool be used exclusively in army goods, and to broaden other specifications so that there should be less tightness in the market.

It was not until the break in relations with Japan led to freezing of all silk stocks on July 26, 1941, that a critical situation developed. Then the delivery or acceptance of silk by warehouses and mills, except from ship to importer was forbidden except by authorization of the Director of Priorities. When it was decided within the following week to order the cessation of all manufacturing of silk stockings in order to preserve stocks for military purposes, appeals to women buyers not to hoard were of little avail. The effect on the employment of hosiery workers was of serious moment and rayon manufacturers were ordered to set aside one tenth of their daily output and yarn on hand for allocation among manufacturers formerly engaged in silk. Also restrictions were placed on the proportions of silk and nylon to be used in hosiery. Fortunately experiments in the use of cotton for hosiery, sheer enough to act as an acceptable substitute for silk, had already produced satisfactory results in the Agricultural Department experiment station at Belleville, Maryland. Hosiery manufacturers were provided with fifty different patterns and promptly geared their machinery for the new output. First stockings of the sheer cotton hose began to appear about four months after the August emergency.

There seemed no reason in April for a rise in the price of cotton textiles. The industry was considered easily able to meet all military and civilian demands. But by May 20 a ceiling was placed on combed cotton yarn, twenty percent below the immediately preceding quotations. Combed cotton is used primarily for underwear, hosiery and high grade textiles. In July clothing costs were still advancing and sellers of cotton grey goods were warned not to exceed ceiling prices. On August 22, the cotton grey goods schedule was broadened and a ceiling placed on rayon goods so that a price ceiling extends over most of the textile requirements for women's dresses, men's shirts, underwear, linings, sheeting and similar commodities. Prices of rayon rose sharply in the months after the allocation to replace silk, and the new ceiling was placed 10 percent below immediately preceding prices. A ceiling has since been placed over wool prices and civilian use curtailed.

Volumes may well be written at some future date on the long time effects of the defense program on housing in the United States. Housing

is a durable good, and therefore in quite a different class from food, clothing or even automobiles. The defense program may likewise be much more nearly permanent.

The problem of shelter appeared early in communities where population increased rapidly with the development of defense industries, so that the government entered upon a housing program for defense workers in July, 1940. By the end of January, 1942, a total of 131,650 new publicly-financed homes for workers had gone into construction and 73,269 of these were ready for occupancy. Some, consisting of demountable dormitory accommodations for single workers and trailers or portable houses for families are intended only for temporary shelter, to be used until permanent houses can be provided. In addition to the allocation of government funds for defense housing, the FHA insurance provisions were liberalized to permit 90 per cent mortgage insurance on moderately priced houses in defense industry districts. Government officials look upon defense housing as material of war in the same sense as planes, tanks and guns, and as such find it legitimate to restrict other building and to urge the curtailment of mortgage lending on residential construction in non-defense areas.

In spite of the not inconsiderable accomplishments in the field of new housing, the supply has by no means kept up with the demand. The need for rent control was indicated by figures released in the surveys made by the Bureau of Labor Statistics and the Works Progress Administration. Forty-four surveys covering industrial areas, camp sites and naval bases in all parts of the country revealed rent increases ranging from 10 to 100 percent and falling with greatest burden on low-income classes. More adequate control will be attempted under the provisions of the recent Price Control Act.

It would be interesting to speculate what some of the long-time effects of rent control and new housing will be. The opportunities for the elimination of blighted areas and substandard dwellings and community planning seem almost unlimited, but will not easily be kept in sight in the pressure for speed in production.

Although food, clothing, and shelter constitute without question the prime necessities of all consumers, other types of commodities are so closely associated with these that their significance is only slightly less. Food can hardly be prepared without kitchen utensils; shelter would certainly be incomplete without fuel; all of life has come to require the use of the automobile. In a whole range of these complementary goods

the consumer has been affected by the war program. One of the most publicized curtailments of consumer commodities was the restriction in the uses of aluminum for non-military purposes. As early as March, 1941 manufacturers of refrigerators were ordered to reduce the number of aluminum trays in refrigerators—to save an estimated 800,000 pounds during the peak season of refrigerator purchase. The climax to the situation came in July when a plan for the nation-wide non-profit collection of used aluminum was promulgated. The collection was accompanied by a fanfare of publicity, local quotas, and competition which was intended perhaps to stimulate a public interest in defense as much as collect aluminum.

Probably because the average individual is less concerned over the utensil his food is cooked in than in his freedom to use his automobile as much as he wishes, a far less enthusiastic response met the curtailment of the gasoline supply on the East coast during the late summer and fall of 1941. That there was no shortage of petroleum in the country was generally agreed upon, but transportation facilities to the East were held to be inadequate. Quotas were imposed during August and September, but on October 24 the order restricting sales was rescinded. With the recent sinking of a number of oil tankers, it again appears probable that rationing may have to be resorted to.

Not only are Americans likely to have less gasoline to burn because of the war, but from now on practically no Americans will have new cars to ride in. Starting with a tentative program for a partial curtailment of production announced in July, the need for the diversion of steel and production facilities to munitions has intensified until the total production of passenger cars and light trucks was terminated on February 1. No ceiling was placed on tires throughout the most of 1941 because it was held that adequate supplies were available at fair prices. Then suddenly we were cut off completely from the sources of practically all rubber. Existing stocks of tires were immediately frozen until rationing could be arranged. On January 4 formal rationing began with tires allowed for only the most essential civilian uses. Since it is quite probable that no new tires will be available for the average civilian for years, all are urged to use those they now have with the greatest care.

Of common household fuels, coal offers the least threat of shortage. In fact the government has recently been urging consumers to lay in stocks in order to lighten the transportation burden later. Fuel oil, for which the greatest market is in the East, is faced with much the same

problems as gasoline in that area. Natural gas is likely to be rationed soon. Economy in the use of electricity is desired in order to conserve all possible power for essential industries. A war daylight saving program has been put into operation with this end in view, and outright rationing is believed by some to be not far distant.

It is interesting to note that among the proposals stressed for consumer protection during the present emergency are several which have been strongly urged by experts on consumer problems for a number of years. Chief among these are the development of informative labelling and the establishment of standards without which no really informative labelling is possible. In the spring of 1941 the National Consumer-Retail Council, which consists of prominent consumer organizations and retailer groups, authorized a project to promote informative labelling for canned goods. In August two advisory panels were set up in the Standards Section, Consumer Division, OPACS to confer on the simplification of materials and lines of production, promoting grades and sale by labels which identify quality, and to encourage the use of standards by government agencies and institutions.

The simplification of lines and styles had been urged upon manufacturers well before August. Marketing as well as consumer experts have long held that needless multiplication of colors and models increased costs which the consumer buyer had to cover in his purchase price. Today we recognize that waste is involved in the production process as well.

Some advisors on consumer problems will doubtless greet the curtailment of consumer credit made in August with enthusiasm, though students of this question in the past have laid more emphasis on protection against the unscrupulous practices of certain credit-extending agencies than on the blanket restriction on volume. In any case the consumer may well be better off a few years hence if not saddled with a heavy burden of debt, and the checking of credit buying is one way of checking somewhat the already rapidly expanding consumer demand.

Many conclusions may undoubtedly be drawn from a survey of the effect of a year and a half of defense on consumer interests. The most significant appears to be that increased employment in war industries is giving increased purchasing power. The resulting demand has boosted prices and led to ever more insistence on price control which has now been authorized by a law, albeit one not too effective. Much of the fu-

ture of private enterprise may hinge on this trend and on the success or failure of inflation control. There is no question that there is an enormous increase in purchasing power in the hands of the consumer. Even if there were no diversion of materials to war industries prices would rise. With such diversion as a major complicating factor, plus shipping shortages, there is little evidence that the rise will or can be successfully checked.

A Modern Golden Fleece

GERALD FORBES

Northeastern (Okla.) State College

Stories of huge daily incomes, of mortgage-laden farmers who quickly became millionaires, of cotton-patch Negroes who rode in twelve-cylinder cars, have caused thousands of persons in non-petroleum-yielding states to buy shares in the oil industry. Magazine and newspaper articles, sometimes truthful but often exaggerated, served to prepare the prospects for the swindling salesmen. The reward of the mythical Jason was a trifle when compared with the golden fleecing of thousands of American investors. Outside the oil-producing states, this selling generally took the form of securities of two types: the stock of promotional companies and fractional royalty interests. Of course, emphasis should be placed on the fact that stocks in many oil companies were excellent investments, just as royalty interests in hundreds of cases have paid handsome returns. It is the intention in this paper to deal with only stocks and royalties on the fraudulent fringe.

While neither promotional stock nor royalty interests can be classed strictly as developments of the oil industry in the Gulf-Southwest, both of them grew vigorously in that region. By 1900 the growth of the rich Standard Oil Company had fostered the conviction that the petroleum industry produced wealth with amazing rapidity. Consequently the Spindletop well near Beaumont, Texas, in 1901, became the psychological spark that lit the tinder of promotional stock speculation. For years the small wells of the Appalachian region had failed to stimulate hysterical investing. The Lucas well on Spindletop hill, however, flowing an estimated hundred thousand barrels daily, was very spectacular. The gusher excited all those who saw it and thousands who only heard of it. More than fifteen hundred oil companies were organized, with capital stock exceeding half a billion dollars. In Texas alone, 619 firms were formed, but only three of them became permanently important in the industry. The total capitalization of the Texas companies was more than two hundred million dollars.¹ In the superlative words of the pro-

¹ C. E. Warner, *Texas Oil and Gas Since 1543*, (Houston, 1938) pp. 45, 47, 86, 188-189; Everett Armstrong Martin, *History of the Spindletop Oil Field*, (Master's Thesis,

moting salesman, some of whose companies had no intention of seeking oil, this stock represented the greatest opportunity of the century for quick riches. The far-flung activities of the stock salesmen soon caused investors throughout the United States to give the Beaumont pool the nickname of "Swindletop."

Spindletop was followed by a series of such discoveries as Red Fork and Glenn Pool in the Indian Territory, each of which produced an abundant crop of promotional oil companies. As the oil industry spread throughout the Gulf-Southwest, speculation in the business became an epidemic that infected the entire country. Numerous firms, with capital stock issues amounting to vast sums, were organized in the Oklahoma and Indian Territories, Arkansas, Louisiana, Kansas, New Mexico, and Texas. Much of that stock was sold hundreds of miles from the sites of the wells. During those years the local investors in the oil-producing region, with knowledge gained from experience, became cautious, or even unwilling to buy petroleum securities at all in many cases.

Every known artifice and some new devices were used for selling interests in oil between 1917 and 1923, when much of the United States was excited by the Ranger and Burkburnett Pools in Texas. Investors varied from shine boys to mayors, while in a broad classification four types of organizers appeared. There were some honest men with no experience in the oil business, who accidentally might have made money for their investors. A second group, also small, were honest and acquainted with the risks of the industry, and would try seriously to show a profit. Third, there were those schemers who knew the business well, but had no particular desire to reimburse their security buyers. The fourth and much the largest class of promoters had neither integrity nor knowledge of the vagaries of the industry. They certainly would avoid paying the regular dividends. This fourth group intended to sell securities, and hoped to elude the sheriff. Some of these glib intriguers needed only a few photographs of oil wells and credit with a printer in order to start business. Men who could not buy a meal ticket launched oil companies. Some even sold stock for a dime a share. With the intention of giving investors some protection, Texas officials began to demand proof of the assets of all companies capitalized at one hundred thousand dollars or more. The result was that the promoters avoided the state regulations by chartering several small companies, instead of

a single large one. Thus, one small lease in an oil pool was recorded as the physical property of the numerous little companies. Some of the stock certificates of this boisterous period were classic masterpieces of the art of suggestion. They were elaborately embossed with gilt portrayals of countless derricks, strings of tank cars, refineries, and bulging bags of gold.

These operators distributed stock in leases, refineries, pipe lines, railroads, drilling sites for future oil wells, and lots in imaginary cities that were to spring up magically in the Texas mesquite. National publicity was given the prediction of one "expert" that the Ranger district for fifty years would provide work for a million men. That statement was a great boon to the stock manipulators, who received millions of dollars for the worthless paper they sold. One extravagant plotter "guaranteed" that his investors would share, not in common oil wells, but in gushers. To improve his sales, he even paid a seven hundred per cent cash dividend on one occasion.²

Among the most active plungers of the period was Doctor Frederick A. Cook, pseudo-discoverer of the North Pole. He spent more than eighty-five thousand dollars in assembling the names of the stockholders in three hundred promotional oil companies. He willingly paid a premium for the stockholders' lists of defunct concerns, apparently believing the losers would seek to redeem their deficits. Those names formed a grand "sucker list" of about a million persons who became the basis of a postal sales campaign from which thousands of dollars arrived each day for Doctor Cook, who constantly invoked the assistance of God. The Almighty apparently did not hear, for the amazing activities of the swashbuckling Doctor Cook were concluded with a term at Leavenworth Penitentiary.

This use of the mails proved disastrous for another insatiable Texas plunger, S. E. J. Cox, and his wife, who were publicized as "An Interesting Man and His Wife Who Made a Million Dollars for Other People." Such promotional publicity was printed in magazines quite disarmingly named *The Truth* and *The Golden Rule*. Cox was a master showman who purchased three airplanes for the transportation of himself, his wife, and his dog. The airplanes and the dog were infallable producers

² Boyce House, *Were You in Ranger?* pp. xvii-xviii; Stonewall Brown, "A Fortune in Oil—The Promoter Speaks," *The Atlantic Monthly*, v. 141 (January, 1928) p. 101; Jimmie Wagner, *The Ranger Oil Boom*, (Master's Thesis, Southern Methodist University Library, Dallas, Texas) pp. 21-22; P. J. R. McIntosh, "The Wonder Story of Texas Oil," *Bunker's Monthly*, II, No. 4 (October, 1928), pp. 500-502.

of newspaper publicity wherever Cox landed. Cox, in nine years, was sentenced four times to Federal prisons because of his fraudulent dealing in oil securities. On one occasion, at his request, he was not sent to the Atlanta prison because he previously had swindled one of the officials of that institution.³

A later and far less spectacular organization than those headed by Cook and Cox, was that which published *The Western World*, a weekly paper, at Fort Worth. That paper paid a correspondent in Oklahoma one dollar each for little items dealing with quick riches from petroleum. The correspondent, while avoiding the impossible, concocted many tales of two or three paragraphs and often received weekly checks for twenty-five dollars.⁴ *The Western World* was mailed to a large "sucker list." A governmental prosecution also marked the end of that organization.

The Ranger-Burkburnett period may be looked on as the golden fleecing era for the "blue-sky stock" salesman, because fractional royalty manipulating then was in its infancy. Although it is believed that the first fractional royalty interest was sold in 1860 in Pennsylvania, dealing in this type of oil property apparently did not become common until after the Cushing Pool was developed in Oklahoma in 1912-1915. In some respects, royalty was destined to become a more important speculative security than stock as the years passed. Royalty is the customary share, generally one-eighth, received by the land owner when oil from a lease is sold. The land owner may sell all or a part of his royalty interest even before the petroleum has been found. The purchaser may seek a quick profit by selling it in many divisions or fractions to other persons.

The average man is thoroughly incapable of judging the value of royalty. In no other form of investment or speculation is the purchaser in such dire need of factual information, and in no other case are the data so generally difficult to obtain or interpret. For royalty transactions, there are thirty forms of mineral deeds, a mystifying cloud to all but specialists. Royalty generally is appraised through the use of statistics,

³ *The Star-Telegram* (Fort Worth, Texas), October 11, 1919; *Ibid.*, May 10, 1923; *Ibid.*, November 22, 1939. President F. D. Roosevelt pardoned the ill Doctor Cook, bringing about his release from prison, in May, 1940, and the explorer-promoter died at New Rochelle, New York, August 5, 1940.

⁴ Interview with Claud Barrow, oil editor of the *Daily Oklahoman*, (Oklahoma City, Oklahoma) August 11, 1941.

which easily may be made misleading by manipulation. The absence of a single fact may be most important.⁵

More than a thousand licensed brokers and dealers were selling royalty interests in every state of the Union in 1940.⁶ Virtually all of the royalty concerned the spectacular oil pools of Illinois, the Gulf-Southwest, and the Pacific Coast. Only a small part came from the Appalachian oil producing region, where the land-owners retained their holdings.⁷ Canada and Europe, especially pre-war France, contained the owners of thousands of fractional royalty interests.

Royalty became a recognized investment as a result of the enormous Cushing Pool. The early buyers had no desire to resell their holdings, even though fractional. For example, an investor might buy an undivided acre interest in the royalty of a quarter-section. Thus he became the owner of one one-hundred-sixtieth of one-eighth of all the petroleum sold. When such purchases paid themselves out in three years they were regarded as good investments, in which the gradually declining returns of the future amounted to profits.

The sale of fractional divisions of royalty as a speculative business seems to have originated at the Garber Pool, discovered in Oklahoma in 1917. The Hartley farm there was a good lease. One-fourth of the Hartley farm royalty was sold for two thousand dollars in 1918. That one thirty-second part of the oil was divided into eight hundred shares, each amounting to one two-hundred-fifty-six thousandth ($1/256,000$). Each of those fractional shares was priced at two hundred dollars. An advertising campaign helped to distribute these units to buyers throughout the United States. If all the shares were sold, the shrewd promoter succeeded in pyramiding his two thousand dollars to the rather grand total of one hundred sixty thousand dollars. If the Hartley farm had produced five million one hundred thousand (5,100,000) barrels of oil, a most extraordinary quantity, at one dollar a barrel, it would have returned his two hundred dollars to the unit buyer. The royalty of another farm on the edge of the same pool, also was sold in fractional units. There the wells were small and two hundred fifty years would have

⁵ Better Business Bureau, *Facts You Should Know About Oil Royalties*, p. 3; David D. Leven, *Done in Oil*, 804, 828-829.

⁶ Securities and Exchange Commission, *Sixth Annual Report*, 1940 p. 275.

⁷ A. H. Bell, geologist and head of the Oil and Gas Division, Illinois State Geological Survey, to Gerald Forbes, September 30, 1941; Ben E. Lindsly, Securities and Exchange Commission, to Gerald Forbes, September 27, 1941; Victor H. Scales, director of public relations, American Petroleum Institute, to Gerald Forbes, September 24, 1941.

been required to return the purchase price to the ultimate buyers of that royalty.⁸

Fractional royalty selling gained previously unknown vigor in the late twenties, when the prolific Seminole district was developed in Oklahoma. Many of the Indian and Negro land holders there disposed of their royalty interests before oil was discovered. Some of them sold it many times, causing a great deal of confusion and litigation. The dealers in fractional royalty were spurred to unusual activity when some of the Seminole wells proved to be astonishing producers. As many as six hundred persons purchased shares in the royalty of one eighty-acre lease. Some of the Seminole royalty was sold at New York for seven thousand dollars an acre, a preposterous price at which the buyer had only a slight chance to get his money back, since only a few of the Seminole leases produced four thousand dollars a royalty acre.

At that time, a typical royalty development might start when a broker examined the geological record of a drilling well and realized that the hole likely would strike oil. He then bought royalty on the surrounding land at two thousand dollars an acre. Next he sold his newly acquired royalty at a rate of two thousand five hundred dollars. That buyer in turn sold to a larger firm at three thousand dollars. All those deals transpired before the well reached production. When the well began to yield oil, the price of the royalty might jump a thousand dollars higher.⁹ It has become almost axiomatic that royalty which has been sold several times is a losing investment for the later buyers.

The last great spree of the fractional royalty dealers followed the discovery of the Oklahoma City Pool in 1928. Fractional divisions were facilitated there by the existence of hundreds of small land holdings. Many of the wells were within the city, where arrangements for drilling blocks were made generally by the producing companies. These sites each formed the location for one well. Some of the blocks contained only five thousand square feet of surface. A land owner, consequently, received a fraction of the royalty that depended on his portion of the entire surface of the drilling block. The owner of five hundred square feet of surface was entitled to one-tenth of the one-eighth royalty, or one-eightieth of the total oil sold. Many of the Oklahoma City landowners sold their royalty at reasonable prices, such as fifteen hundred

⁸ Interview with Theodore H. Hammett, legal department of the Sinclair-Prairie Oil Company, July 25, 1941.

⁹ Edwin I. Reeser, *Oil Royalties*, pp. 122, 127-128, 162.

dollars for the proceeds from a city lot. The brokers then disposed of the royalty by the square foot of surface, which resulted in more than three thousand owners for an ordinary city lot. The extravagance of that process became astonishing when the price reached eighty or one hundred dollars for a square foot of royalty.¹⁰ There was not a shadow of a chance that such investments ever would pay out.

The distributing firms arranged misleading statistical charts of the income of their holdings. Good, bad, and indifferent royalty on almost any piece of land was sold. Some of the concerns promised dividends at the rate of one or two per cent a month, and as a selling bait they even sent a few checks. Such a method encouraged a flourishing business and enabled the companies to hold their securities during the highly profitable flush-production.

Often a dealer received from twenty to one hundred times the amount he had paid for the royalty. One investor in Texas royalty paid two hundred dollars for one forty-six-thousand-two-hundred-and-eighth of one-eighth ($1/46,208$ of $1/8$) or for one three-hundred-sixty-eight-thousand-six-hundred-sixty-fourth ($1/368,664$) of the total oil sold from the lease. Another investor paid one hundred fifty dollars for one three-millionth ($1/3,000,000$) share in a lease that was yielding only one hundred fifty barrels of oil daily. On the assumption, which is false, that the lease would continue to produce at a constant rate, fifty-four years would have to elapse before that investor received one barrel of oil.¹¹ The astounding ridiculousness of these fractions was no humorous matter to the producing oil companies.

Each owner of a bit of royalty, no matter how small, had to be paid for his share. The producing companies developed policies that tended to follow a general pattern. Today most of them send checks at regular intervals to the royalty owners in their retail territories for the purpose of maintaining consumer good will. Some pay the small amounts with retail gasoline, although instances of monthly checks for a few cents can be found. Some refuse to mail checks for less than five dollars, because of the expense in bookkeeping. Usually royalty is paid at least annually so as to keep income tax records clear. The standard lease contract of the decade of the thirties provided, however, that only one check need be written for the royalty payment. By that provision most of the burden of bookkeeping was shifted to trustees for the royalty

¹⁰ Interviews with T. H. Hammett, July 25, 1941, and Claud Barrow, August 11, 1941.

¹¹ Better Business Bureau, *Facts You Should Know About Oil Royalties*, p. 5.

owners. In most cases the trustees were banks which collected fees for distributing the royalty. Banks have fought legal battles to gain the trusteeships of even poor and declining leases.

In 1933, through the creation of the Securities and Exchange Commission, the Federal government began to restrict the operations of dealers in fractional royalty interests. Some royalty dealers ceased to operate. The Commission classified royalty as a security. Under that classification, brokers were required to register each issue of royalty accompanied by appraisals from competent engineers and geologists. This tended to curb dishonest promoters by fairly disclosing the material facts needed for an honest evaluation. The investigations of the Securities and Exchange Commission have resulted in several criminal and civil prosecutions.¹²

The price of profitable royalty should be based on a scientifically anticipated yield and not on the initial production of the lease. Since the establishment of proration, more time has been required for royalty investments to pay themselves out. The proximity of dry holes or producing wells affects the value of royalty. A condition rarely understood outside the "oil states" is the fact that the production peak also marks the beginning of a well's decline. In a few years a well's output often is only a fraction of its initial yield. Written or oral misstatement has been the most common trick of the unscrupulous salesman of fractional oil royalty.

Since the days of the dramatic Spindletop, speculation in securities has been one of the ever-changing aspects of the oil industry. There was a period when companies, large, small, honest, dishonest, successful, or futile, were promoted through the sale of stock. Then came the time when men purchased royalty interests in leases as private investments. There was an era when the parasitic dealers in speculation scurried throughout the country selling shares in everything associated with the oil industry. For a decade and a half salesmen distributed infinitely small fractions of royalty to gullible investors at outlandishly high prices. That practice was reduced materially through the regulations of the Securities and Exchange Commission. The golden-fleeing era of the speculative oil security dealer has passed.

¹² Securities and Exchange Commission, *Sixth Annual Report*, 1940, p. 150.

Why Wars Produce Depressions*

H. L. McCracken

Louisiana State University

Prosperity, a Condition of Balance. True prosperity calls for a condition of order and balance in the business and economic system. Any sustained period of unbalance, creating stresses and strains, will terminate prosperity and lead to crisis and depression. In the first place, prosperity calls for a balanced remuneration for the factors of production through what we call functional distribution; second, prosperity requires a proper balance in the personal distribution of wealth and income. Thomas Robert Malthus told us long ago that "production and distribution are the two grand elements of wealth, which, combined in their due proportions, are capable of carrying the riches and population of the earth in no great length of time to the utmost limits of its possible resources; but which taken separately, or combined in undue proportions, produce only, after the lapse of many thousand years, the scanty riches and scanty population, which are at present scattered over the face of the globe."¹

When wealth and income are too concentrated in the hands of a few, business is likely to become depressed because of lack of effective demand. On the other hand, if wealth and income are too evenly distributed, we would lack some of the great aggregations of capital so essential to mass production, and the nation would experience depression through lack of adequate supply.

Now, one of the great by-products of war is the disturbance to this condition of balance. Millions of men are inducted into the army and receive the army wage of \$21 per month. Many businesses are thrown into bankruptcy through inability to shift to war economy. Others, both entrepreneurs and laborers, find themselves strategically situated and make profits and wages never approximated in peace time. For these reasons, the distribution of wealth and income is greatly disturbed during the period of war.

* Revised edition of a paper presented in April, 1942, to the Economic Section of the Southwestern Social Science Association, Dallas, Texas.

¹ Malthus, *Principles of Political Economy*, p. 330 (1821).

Unbalance from Transition. All periods of transition subject a national economy to terrific strains, but if the transition is from peace to war, the economy usually takes on the appearance and characteristics of prosperity because the transition is from the relatively slow peace time economy to an accelerated war economy, but the transition from a war economy to a peace economy is of a reverse order. The war demands upon industry and labor suddenly cease and a considerable interval of time must elapse before the normal peace demands can become effective. Time must elapse after soldiers are mustered out of the army before they can all be remuneratively employed in industry and the arts; time must elapse before conveyor systems constructed to produce tanks and bombers can be re-conditioned and re-tooled for the construction of trucks and automobiles; time must elapse before agriculture, which has become geared to a vast export program for the maintenance of allies who lack self-sufficiency, can be re-organized for the normal needs of peace.

THE PROBLEM OF INFLATION AND DEFLATION

Not only do we find causes for a post war depression in the arena of industry—in the fields and factories where physical production takes place—but also in the field of finance, of banking, money and credit. Much of the buoyancy of war prosperity is linked with the inflation of money and credit, the visual evidence of which is a rapidly rising price level. Business always tends to become dynamic and prosperous during periods of rising prices. This is natural and easily explained. In fact, it is valid to speak of the "psychology of a rising price level." We humans are so constituted that we wish to get more of those things which are appreciating in value and to get rid of those things which are depreciating in value. During inflation and rising prices, of course, the value of money is getting less and less while the value of commodities, securities, and real estate goes higher and higher. Therefore, people hasten to exchange money for goods and a "buying mania" develops because people are anxious to barter away the money which is souring on their hands in order to get possession of goods which grow sweeter in their hands.

By contrast, post-war periods are usually characterized by deflation and a falling price level. Here again human nature asserts itself and people hasten to part with those things which are losing value in order to get hold of that which is increasing in value. Of course, it is now

that money is appreciating in value while commodities, securities, and real estate are depreciating in value. This gives us a "selling mania" and when everyone is anxious to sell and few are willing to buy, it is impossible to keep the tempo and volume of business at the prosperity level.

DEGREES OF INFLATION AND DEFLATION

Thus far, we have merely described the typical war and post-war periods as they have revealed themselves historically without attempting to analyze whether or not it is possible by proper economic planning and wise government policy to make the pattern different. Let us first address ourselves to the problem of monetary inflation and deflation. Presumably all economists unite in the belief that the degree of inflation is determined largely by the fiscal policy of the government. The most inflationary of all methods is that of Greenbackism. The Northern Government had considerable inflation during the Civil War because it issued 450 million dollars of legal tender, United States Notes. The Confederacy had far greater inflation because it resorted to a far greater degree of Greenbackism. Most of you are familiar with that history. For those who are not, the story has been preserved for you in "A Rebel's Recollections" by G. C. Eggleston. Says he, "I bought coffee at forty dollars and tea at thirty dollars a pound on the same day." The Rebel then quotes a facetious friend as saying "the difference between the old and new order of things was a trifling one. 'Before the war, I went to the market with the money in my pocket, and brought back my purchases in a basket; now I take the money in the basket and bring the things home in my pocket.'" Again he says that the highest price, relatively he ever saw paid was for a pair of boots. A cavalry officer, entering the little country store, found there a pair of boots which fitted him. He inquired the price. "Two hundred dollars" said the merchant. A five hundred dollar bill was offered but the merchant having no smaller bills could not change it. "Never mind," said the cavalier. "I'll take the boots anyhow. Keep the change; I never let a little matter of three hundred dollars stand in the way of a trade."²

The lesson to be learned here is that Greenbackism tends to lead, first, to the suspension of specie payment, and then to violent price inflation, and the greater the inflation of the War Boom, the greater

² See *A Rebel's Recollections* by G. C. Eggleston, pp. 78-93 or *Materials for the Study of Elementary Economics* by Marshall, Wright, and Field, pp. 493-95. (2nd Ed.)

will be the deflation in the Post-War Gloom as the nation begins the contraction of its currency and the ultimate resumption of specie payment.

Perhaps someone is inclined to observe that the United States had a severe inflation during World War I and issued no Greenbacks at all. Strictly speaking, that is literally true, but the method of financing the war was not altogether different in principle from Greenbackism itself, as is indicated by the following incident, of which the writer had intimate knowledge. It was the time of the "Second Liberty Bond Drive." Two patriotic business men called upon their friend and said, "Mr. Blank, we have come to ask you to buy some Liberty Bonds." Mr. Blank replied, "Well, that's fine, but you know, I am a young married man with a pretty low salary and my wife has recently come home from the hospital with a brand new baby, so I am pretty short on money." The men replied, "Oh, you don't need to have any money. You just subscribe for the bonds, and the bank will loan you the money." "Very well, Gentlemen," said Mr. Blank, "what is my quota?" "Two hundred dollars," they said, "and you can borrow the money at the bank at 6 percent, put up the bonds as collateral, the bonds will yield you 4 per cent, so your patriotism will only cost you four dollars a year." Of course, Mr. Blank subscribed, got the bonds, borrowed the money at the bank and everything was fine. But note carefully what really happened. The Government needed the money and didn't have it. That was why it was selling bonds. The banks didn't have the money or they would have bought the bonds themselves. Mr. Blank didn't have the money. That was why he borrowed at the bank. So, the Government borrowed of Mr. Blank, Mr. Blank borrowed from the bank, and the bank used the promises of the Government and Mr. Blank in order to procure new Federal Reserve Notes from the Federal Reserve Bank. By this system of circumlocution, the Federal Reserve System became virtually a money and credit factory, with the result that the volume of Federal Reserve Notes was increased by approximately four billion dollars. The effect of this arrangement was to vastly increase the quantity of money and yielded inflation not essentially different from genuine Greenbackism.

Monetary inflation is inherent and inevitable under any such system of war finance and automatically carries with it its own post-war deflation. Therefore, if we are to consider seriously the question "Must There be a Post-War Depression?" the answer is categorically "yes," if we permit inflation during the war period.

The surest way to avoid inflation in war time is to finance the war as largely as possible from taxation, for taxation is *deflationary per se*. Money turned over to the government in payment of taxes cannot be used by consumers as effective demand for either goods or services. It is also true that the sale of bonds is not inflationary *if* the bonds are paid for out of savings. If a man receives a salary of \$5,000, and reduces his standard of living to \$3,500, and buys bonds with the remaining \$1,500, then we get no competitive bidding by those who have the usual amount of money, for the restricted volume of goods permitted by the government through priorities, or made scarce by blockade, capture or destruction through a "scorched earth" policy. Only when we begin directly or indirectly to loan people the money with which to buy bonds, will the sale of bonds be basically inflationary. The use of the savings method by the Treasury up to the present time is a major reason why inflation has been kept to a minimum thus far. Whether or not we can continue to depend upon voluntary saving and the voluntary purchase of bonds till the end of the war is a grave question. It is quite probable that we shall soon find ourselves faced with compulsory saving and compulsory bond buying. If we are sufficiently "spartan" to submit to such discipline, the dangers of inflation will be small. If not, the government will be virtually forced to resort either to genuine Greenbackism as of the Civil War period, or to "near" Greenbackism as practiced in World War I.

POST-WAR BURDEN VS. POST-WAR DEPRESSION

One of the alleged reasons frequently given for a post-war depression is that when the war is financed primarily by the sale of bonds—later to be retired—the financial burden of the war is shifted to a future generation. The present generation fights the war and the next generation pays for it, and payment begins as soon as the post-war revenues from taxes are in excess of the ordinary expenditures of government and the surplus is used to pay off the bondholders and reduce the public debt. Consequently it is the post war *burden* which ushers in the post-war *depression*.

This explanation calls for careful scrutiny, and involves to some extent at least a definite fallacy. By way of refutation it may be said that if the post-war debt is an internal debt then so far as the *generation*, or people of the entire nation is concerned, the *burden* ceases as soon as the war is over, or rather as soon as the war expense is over. Perhaps no

one has presented this idea more clearly than Professor Alvin H. Hansen, from whom we quote as follows:

"We should keep clearly in mind the fact that balanced against the taxes required to cover interest charges are the interest receipts of institutions and individuals who own the bonds. Thus the fact is that our public debt, owned as it is mainly by institutions performing useful and necessary services, is no such burden on the community as is commonly supposed. The tax funds collected to meet interest charges are not lost. They are paid right back again, largely to institutions that benefit the community as a whole. At the worst, the taxes are collected from one group of citizens and paid out to another group—the bondholders.

"The public debt is something very different from the private debt of an individual. An individual will always improve his asset position if he is able to pay off a part of his debt. But a nation may make itself poor by repayment of public debt. This is true because such repayment tends to cause deflation, depression, and unemployment. It is a good thing to pay off a part of the public debt if you want to check an excessive boom. It would be ruinous to pay off the public debt in a post-defense period when unemployment was spreading.

"A public debt internally held has none of the essential earmarks of the private debt of an individual."³

In substance, this means that for every debtor there is a creditor; for every tax payer who contributes a dollar to the government for interest and debt reduction there is a bondholder who receives that dollar. Hence the transfer of funds from tax payer to bondholder is merely a bookkeeping problem, and when looked at from the standpoint of the nation as a whole or a generation of citizens, the burden of the debt is exactly zero. In other words, the *burden* of the war is over as soon as the *war* is over, if the bonds are held internally.

While the above statement may be technically correct in a bookkeeping sense, many inferences have been drawn from it which involve fundamental error. Furthermore, the issue before us is not whether or not there is a "post-war burden" but "must there be a post-war depression." In answering the latter query, we find ourselves on the horns of a serious dilemma.

Let us first assume the alternative in which the citizens of the post-war period are divided into two distinct groups, one a group of bondholders who pay no taxes and another group of tax payers who own no bonds. Under such conditions it is logical to contend that insofar as the entire population or generation is concerned, there is no burden. But,

³ Alvin H. Hansen, *After the War—Full Employment*, p. 7, January, 1942. Published by National Resources Planning Board.

would anyone believe that such a situation would not yield a severe depression? Quite obviously, the bonds would be held by the richer class, and if so, then by hypothesis the taxes would be paid by the poorer class. Surely, any such iniquitous system of public finance as that which would exempt from taxation the rich bondholders while placing the entire tax burden on the poor—those least able to bear it—would work such a maldistribution of wealth and income as to create a major depression and probably a proletarian revolution.

Let us now examine the other horn of the dilemma. Presumably the post-war burden would be lightest and the depression mildest under the following conditions. *If* the war deficit had been financed solely from the sale of bonds; and *if* every citizen had been required to buy bonds in proportion to his ability to buy; and then *if* after the war was over the funds needed to retire the bonds were raised through taxation on the basis of ability to pay; and further *if* the ability to pay taxes was precisely the same in each individual case as the previous ability to buy bonds, then it would follow with mathematical precision that every individual, firm or corporation would pay to the government in taxes (that part of taxes to be used for debt reduction) precisely the same amount which he would receive back as a bondholder. In this case, every creditor would become his own debtor and *vice versa*, and except for the services of the government which acts as an intermediary to collect and remit, the result would be very much as if millions of people transferred billions of dollars from one set of pockets to another set of pockets.

Quite obviously, this is an heroic assumption, and one which never could be duplicated in real life. However, it is not at all presumptuous to suppose that, by and large and on the average, bonds *are* sold to those most able to buy, and that post-war taxes *will be* levied in the main according to the principle of ability to pay, and that there will be fairly close correlation between the amounts paid in taxes in the specific instance and the amounts received as a respective bondholder. Furthermore, it is fair to suppose that such an arrangement would place the burden on those most able to bear it, and yield a minimum of depression. But, could a post-war depression be completely avoided by such an arrangement? Before answering, let us pursue the analysis a bit further.

To some extent at least, war prosperity and post-war depression involve for bondholders illusion and disillusion. While buying the bonds, they feel rich, but when taxed to pay off the bonds they begin

to feel poor. Of course, if the bond buyers were told in advance or at the time they purchased the bonds that they, and they alone, would ultimately have to supply the funds required for liquidation, then no one would look upon his bond as an investment, or as possessing any market value. In fact, it is doubtful if the bond would have a market value under such circumstances. If such an alternative were to prevail, and was thoroughly understood by all, then the war might as well be financed wholly by taxation in the first place. It is precisely because bonds are not bought with any such expectation in mind that they are viewed by the bondholders as assets. They believe that somehow, sooner or later, they are to be the recipients of funds supplied by others. That is why the bondholder does not feel as poor or depressed when he turns in \$1,000 to the government in exchange for a bond as when he turns in \$1,000 to the government and receives a tax receipt. This is the illusion. Disillusionment comes in the post-war period when he discovers that there is no magic in government finance; that the government has no funds except as they are supplied by its citizens; that the government will become insolvent and default on its bonds unless the citizens turn over to the government enough in taxes to redeem the bonds with interest; and finally, that the only citizens able to contribute funds in amounts sufficient to avoid insolvency and default are the bondholders themselves. Then, and not till then, does the rank and file of the bondholders realize that they are not only the creditors of the government, but debtors to the government as well, proportionately, *pari passu*.

In order to understand better the relation between disillusionment and depression it will be helpful if we examine briefly a psychological aspect of economic theory, first developed by the Austrian School and more recently extended by J. M. Keynes and John R. Commons. The great Böhm-Bawerk told us that "Value grows, not out of the past of goods, but out of their future."⁴ John R. Commons in his Volitional Theory of Value, taught that "Value is a mental appraisal in the present of expected future uses or incomes."⁵ More recently, J. M. Keynes elaborates the same point by devoting all of Chapter 5 of his work on The General Theory of Employment to "Expectation" as a key to the plans and behavior of capitalists and entrepreneurs. The basic idea presented by all three is that all value is future value; that we live and

⁴ Eugen von Böhm-Bawerk, *Capital and Interest*, p. 134. (Smart's Translation)

⁵ From Lecture Notes taken by the writer at the University of Wisconsin in 1921.

plan in the light of future expectations, and change our plans and scale of living as our expectations change of what the future holds for us.

We are now ready to apply this basic Austrian Doctrine and Principle of Expectation to the behavior of bondholders during the war and post-war period. During the war, the prospective bond buyer and citizens are told that government bonds are the safest investment in the whole securities' market; that the Government's promise is as good as gold; that if the time should ever come when the government defaults on its bonds, all other investments will be worthless. They are creditors and look forward expectantly into the future when the bonds will be redeemed in full legal tender. If, however, when the war is over, they find that the government has no funds for bond redemption except as it collects them from its citizens; if they find that the only citizens able to supply funds in amounts sufficient to keep the government solvent are the bondholders; if the government is not to default on its bonds, they must pay in taxes quite as much as they are to receive as bondholders, *then their expectations change*. Psychologically, they begin to *feel poor*. They curtail consumption, practice economy, reduce their standard of living, and by so doing, they help to create a post-war depression. All those who have argued so nimbly that there need be no post-war depression because there is no post-war burden; that the burden is over as soon as the war is over if bonds are held internally, have failed utterly to catch the significance of the fundamental contribution made to economic theory by Böhm-Bawerk, Commons, and Keynes. We are not depressed as soon as we *become* poor. We are depressed as soon as we *discover* that we are poor.

There is another sense in which it is not quite true to say that the financial burden of the war is over as soon as the war is over if the costs of the war and the debts growing out of the war are borne internally. Debts incurred in order to procure peace-time capital tend to be self-liquidating. If bonds are sold and the proceeds used to construct a dam and a hydro-electric power plant, the investment brings into being income yielding property that "pays for itself." Income from the sale of electricity pays off the bonds—principal and interest. Expenditures incurred for war purposes seldom yield such dividends. Of course, if a short, inexpensive *blitzkrieg* brought a nation into permanent possession of rich oil fields, rubber, spices, tin—a Dutch East Indian Archipelago—it is conceivable that the spoils of war might liquidate the costs of the war, but in a long war of attrition no such result can obtain.

World War I yielded no self-liquidating dividends. "The Fruits of Victory" can seldom be sold at a price high enough to cover the costs. Thus, even if the debt is internally held—even if for every debtor there is a creditor—there still is a fundamental difference between a self-liquidating debt and a "dead horse" against which there is a mortgage outstanding and unpaid.

There is yet another way in which war lays a depressing hand upon those who carry on after the war is ended. Times may, and often have become so bad in war time that it is necessary to "eat up our seed corn" to survive. If so, it takes a long time to get going again. It is conceivable that Denmark may come out of this war with no debt other than an internal debt—with no reparations payable to an outside power. But if the Post-War conditions are to be as we think they will, can anyone contend that the *burden* of the war will be over as soon as the war is over? The Pre-War high standard of living in Denmark was underpinned by millions of hens and thousands of cows. But if the basic flocks and herds are gone then who can deny that the post-war standard of living in Denmark must of necessity be low. To the extent that a high per cent of the national dividend must be used for building up again the herds and flocks; must be used to rebuild a depleted soil; must be used to replace and recondition worn-out and obsolescent machinery, factories, and railroads—to that extent current income available for final consumption goods is small and the standard of living is low, which is another name for depression. Furthermore, to the extent that the gross national income itself is low because of prolonged deterioration and depletion, the situation is doubly worse.

Summarizing then, we may say that the major causes of post-war depressions are (1) an unbalanced economy caused by the shift, first from a peace economy to a war economy, and then the shift from a war economy back to a peace economy. Shifts of such magnitude cannot be made without waste motion in industry, idle plants, idle men, surpluses of some commodities and a scarcity of others, all contributing to depression. (2) It is difficult, and perhaps impossible to finance a major war without more or less of inflation, and historically it has been more rather than less. To the extent that there is a war *inflation*, it is logical to expect post-war *deflation*. (3) There is a psychological fallacy in the thesis that an internal debt can be no burden on the *post-war* generation; that since every debit has a corresponding credit; since every debtor is offset by a creditor; since one hand balances the other, it is pos-

sible to forget the cost of the war as soon as the war is over. There is much of wisdom in the Austrian Theory that value comes from future expectations and not from past costs. We do not reduce our demand for goods as soon as we become poor. We begin to economize and reduce our expenditures as soon as we *discover* that we are poor. So long as bondholders believe that they have investments, promises payable by the other fellow, they think they are comfortably fixed and live accordingly; but when they find that there is no "other fellow" they become frugal, reduce their effective demand and thereby contribute to forces making for a post-war depression.

(4) In the fourth place, war expenditures leave behind few self-liquidating capital investments. When millions of men and billions of dollars are poured into the cauldron of war only to come out ashes, the post war generation rightly feels a keen sense of impoverishment. The post-Civil War period in the South illustrates the point. The Southern States were not subjected to post-war indemnities. They did not redeem, either their bonds or their Greenbacks. Yet there was definite post-war depression. The basic resources on which the ante-bellum prosperity had rested were conspicuous by their absence in the post-war period. The "Investments" in the war yielded no post-war dividends for self-liquidation. (5) And finally, nations in a prolonged war "use up their seed corn;" use up their flocks and herds; and when we eat not only the eggs but the hens that lay the eggs; when we drink up not only the milk but eat the cows that give the milk; then reduced production, reduced consumption, and a curtailed standard of living and a psychological feeling of depression characterizes the economic order.

In conclusion, we believe that there are inherent economic and psychological forces at work sufficient to explain the customary post-war depression; and to some extent at least there exist forces which make post-war depressions almost inevitable. We may say that what is said here is not to be construed as fatalism or economic determinism. It is not to be interpreted as meaning that the war and post-war periods—insofar as they relate to finance—call for *laissez faire*. Correct financing during the war, and wise economic planning both with respect to the transition from peace to war and from war to peace, may well minimize and cushion the post-war depression. But the writer has not yet joined that group of cheerful optimists who say that it makes no difference after the war is over whether our national debt is 100 billion dollars or 300 billion dollars so long as it is internally held and creditors equal debtors.

Notes from the Southwest

The Board of Trustees of Washington and Lee University has recently established the Robert E. Lee Archives as a division of the new Cyrus Hall McCormick Library. It is proposed to make the school which Washington endowed and to which Lee gave the last five years of his life a national repository of social material concerning the entire life of Robert E. Lee. Washington and Lee already owns four thousand manuscript items concerning Lee's life, and its collection of Lee books, pamphlets and pictures is large.

To aid in this work, a national advisory committee of prominent scholars and public men is being formed. Dr. W. G. Bean is Chairman of the local committee, and Dr. Allen W. Moger of the history faculty has been made Lee Archivist. He will attempt to locate and secure other original manuscripts, photostats, and copies of original Lee items. It is particularly hoped that the numerous admirers of General Lee who possess individual letters to or from him will realize that the Robert E. Lee Archives at Lexington, Virginia, is the appropriate place where they will be preserved for posterity.

* * * *

Members are urged to send to the editor news items of interest to Southwestern social scientists.

NEW MEXICO

University of New Mexico—Dr. James F. Zimmerman, president of the University, is serving as consultant for the Board of Economic Warfare in Washington and will be absent from the campus for several months.

Dr. L. S. Tireman is on leave of absence for service with the United States Office of Education on Inter-American Cultural Relations.

Dr. J. C. Knode, dean of the College of Arts and Sciences, is on leave of absence for study and part-time war service.

Professor Wm. McL. Dunbar, dean of the College of Fine Arts, is serving as architectural engineer for the navy with the rank of lieutenant commander.

The Navy has established an R. O. T. C. unit on the campus, with Captain James B. Will and a faculty of four in charge.

Dr. Robert R. Logan has resigned to accept a position in the department of economics, University of Arkansas.

Dr. Frank H. Jonas, formerly of the faculty of the University of Southern California, has been appointed assistant professor in the department of government.

The School of Inter-American Affairs has been established at the University under the direction of Dr. Joaquín Ortega, formerly of the faculty of the University of Wisconsin, and with Dr. Richard F. Behrendt, from the Y. M. C. A. College, Chicago, as assistant professor.

France V. Scholes, of the Carnegie Foundation, is offering advanced work in History for the current year.

Twenty-third Annual Meeting of the Southwestern Social Science Association

April 3 and 4, 1942

Dallas, Texas

COMMITTEES

- General Program Chairman: J. L. Glanville, Southern Methodist University.
Local Arrangements and Publicity: Arthur A. Smith, Chairman; Virginia Bradley, A. Q. Sartain, Southern Methodist University.
Resolutions: Walter T. Watson, Chairman, Southern Methodist University; A. B. Armstrong, North Texas Agricultural College; R. L. Conrod, North Texas State Teachers College.
Audit: Chester Lay, Chairman, University of Texas; Lee E. Johnson, Texas State College for Women; B. T. Jones, East Texas State Teachers College.
Nomination of Officers: R. N. Richardson, Chairman, Hardin-Simmons University; S. A. Caldwell, Louisiana State University; Claude C. Dove, New Mexico State College; Robert W. Field, University of Oklahoma; B. F. Harrison, Oklahoma A. and M. College; Charles D. Johnson, Baylor University; E. S. Redford (OPA) University of Texas; E. E. Sparling, University of Arkansas; William T. Chambers, Stephen F. Austin State Teachers College.
Institutional Membership: W. A. Stephenson, Chairman, Hardin-Simmons University; H. C. Bradshaw, Texas A. and M. College; Cortez A. M. Ewing, University of Oklahoma; W. E. Gettys, University of Texas; C. S. Potts, Southern Methodist University; T. H. Reynolds, Oklahoma A. and M. College; Wiley D. Rich, Baylor University; E. E. Sparlin, University of Arkansas; E. O. Stene, University of Kansas.

Program

FRIDAY, APRIL 3, 9:00 A. M.

ACCOUNTING, BUSINESS ADMINISTRATION SECTIONS (JOINT SESSION).

Chairman: B. F. Harrison, Oklahoma A. and M. College.

Managerial Accounting, Chester F. Lay, University of Texas.

Accelerated Depreciation, E. A. Saliers, Louisiana State University.

Standard Costs as Managerial Aids, Thomas Herbert, Standard Oil Company.

Discussion: Paul Jones, Louisiana State University.

AGRICULTURAL ECONOMICS SECTION, "FARM MANAGEMENT RESEARCH."

Chairman: B. M. Gile, Louisiana State University.

Farm Business Analysis Method, Peter Nelson, Oklahoma A. and M. College.

- Budget Analysis Method*, A. C. Magee, Texas A. and M. College.
Individual Enterprise Method, P. S. Williamson, Louisiana State University.
 Discussion: O. T. Osgood, University of Arkansas.
 E. L. Langsford, Bureau of Agricultural Economics.
 W. T. Wilson, University of Arkansas.

BUSINESS ADMINISTRATION SECTION (JOINT ACCOUNTING).

ECONOMICS SECTION, "ANALYSIS AND EVALUATION OF AMERICAN DEFENSE EFFORT."

- Chairman: John O. Gragg, Southwest Texas State Teachers College.
Price Control and War Finance, E. H. Plank, Texas Technological College.
 Discussion: Jim E. Reese, Texas College of Arts and Industries.
Organization of Industrial Production for Defense, H. R. Mundhenke, Texas Christian University.
 Discussion: T. N. Farris, Louisiana State University.
Labor Policy, Edwin A. Elliott, National Labor Relations Board.
 Discussion: Arthur A. Smith, Southern Methodist University.

GEOGRAPHY SECTION.

- Chairman: C. J. Bollinger, University of Oklahoma.
Muskrat Fur Industry of Louisiana, Harry J. Chatterton, Southwestern Louisiana Institute.
Livestock-Timber Farming in the Southern Ozarks, J. W. Reid, Stephen F. Austin State Teachers College.
The Sequatchie Valley, Tennessee—A Study in Land Utilization, Robert L. Martin, Central State Teachers College.
Landscapes of Northwestern Mexico, Leslie Hewes, University of Oklahoma.

GOVERNMENT SECTION.

- Chairman: Charles A. Timm, University of Texas.
Civil Liberties in War-Time, O. A. Hilton, Oklahoma A. and M. College.
Reforming the State Judiciary, Claude V. Hall, East Texas State Teachers College.
Political Parties in the Southwest, Nolan Fortenberry, North Texas State Teachers College.
 General Discussion Leader: York Willbern, North Texas State Teachers College.

HISTORY SECTION, "PIONEER SOCIETY."

- Chairman: R. Earl McClendon, Sam Houston State College.
The Norris Family in Early Nacogdoches, Mrs. Lois Foster Blount, Stephen F. Austin Teachers College.
 Discussion: R. B. Blake.
Participation of the Colorado Pioneers in the Civil War, L. A. McGee, Sam Houston State Teachers College.
 Discussion: H. A. Trexler, Southern Methodist University.
Hamilton P. Bee's Trip to the Indians of North Texas in 1843, R. L. Biese, University of Texas.
 Discussion: L. W. Newton, North Texas State Teachers College.

PSYCHOLOGY SECTION.

Chairman: W. H. Lichte, Southern Methodist University.

Personality as a Concept in Psychology, C. B. Pyle, Kansas State Teachers College.

A Study of Aspiration for Academic Achievement in Relation to Individual Morale, W. H. Brentlinger, University of Texas.

Some Factors Related to Mutual Friendships in the Elementary School, Merl E. Bonney, North Texas State Teachers College.

A Factor Analysis Based on Test Scores in High School Algebra, S. B. Red, University of Texas.

SOCIOLOGY SECTION (SOUTHWESTERN SOCIOLOGICAL SOCIETY).

Chairman: Walter T. Watson, Southern Methodist University.

The Effects of Crises Upon the Emergence of New Patterns in Social Organization, Robert L. Sutherland, Hogg Foundation.

Round Table Discussion: A. L. Porterfield, Texas Christian University.

Ross Compton, North Texas State Teachers College.

Alvin Good, Louisiana State Normal College.

Walter T. Watson.

10:30 A. M.

Chairman: Austin Vander Slice, University of Arkansas.

Research Method in Historical Society: Its Application to a Study of the Peasant in the German and Russian Revolution, William L. Kolb, Oklahoma A. and M. College.

Round Table Discussion: Harry E. Moore, University of Texas.

Leo A. Haak, University of Tulsa.

Walter Coutu, University of Texas.

Austin Vander Slice.

FRIDAY, APRIL 3, 12:15 P. M.

BUSINESS ADMINISTRATION AND ECONOMICS (JOINT LUNCHEON).

Chairman:

Post-War Readjustments, R. B. Johnson, U. S. Department of Commerce.

Discussion: E. W. Clemens, Southwestern Louisiana Institute.

SOCIOLOGY LUNCHEON.

Business Meeting of the Southwestern Sociological Society.

FRIDAY, APRIL 3, 1:30 P. M.

ACCOUNTING SECTION

Chairman, Eugene Schauer, Oklahoma A. and M. College.

The Direction of Accounting Theory, J. A. White, University of Texas.

Discussion: Wiley Rich, Baylor University.

Aspects of the Theory of Debit and Credit, Earl Clevenger, Central State College.

Relations of Statistics and Accounting, Leo Hebert, Louisiana State University.

Problems Relating to Governmental Accounting, Fladger Tannery, University of Texas.

Discussion: Haskell Taylor, Texas Technological College.

Robert J. Hibbetts, West Texas State Teachers College.

Business Meeting.

AGRICULTURAL ECONOMICS, BUSINESS ADMINISTRATION SECTIONS (JOINT SESSION.)

Chairman: J. B. Trant, Louisiana State University.

Government Price Controls: Agriculture, A. C. Stein, Representative, U. S. Department of Agriculture.

Prices and Commerce, R. B. Johnson, U. S. Department of Commerce.

Regional Price Administration, Watrous H. Irons, Office of Price Administration.

Discussion: M. D. Wooden, Louisiana State University.

Perham C. Nahl, Oklahoma A. and M. College.

William Howard Beasley, Whittle Music Company.

Business Meeting.

ECONOMICS SECTION, "MUST THERE BE A POST-WAR DEPRESSION?"

A Symposium.

Moderator, Elmer Scott, Civic Federation of Dallas.

Why Wars Produce Depressions, H. L. McCracken, Louisiana State University.

Can Economic Planning Prevent a Post-War Depression? T. L. Morrison, Texas State College for Women.

Pattern for a Depressionless Transition to a Peace-Time Economy, George H. Hildebrand, Jr., University of Texas.

Group Discussion.

Business Meeting.

GEOGRAPHY SECTION.

Chairman: C. J. Bollinger, University of Oklahoma.

Recent Trends in Commerce of Latin America, T. Taylor Brown, East Texas State Teachers College.

Mapping of Marcy's Red River Expedition, T. C. Richardson, Farm and Ranch, Dallas, Texas.

Is Nature a Prophet? Outlook for the 1942 Wheat Crop, A. W. Erickson, Minneapolis, Minn.

Rural Land Patterns in Louisiana, Fred B. Kniffen, Louisiana State University.

Business Meeting: Report of Nominating Committee, Harriet Smith, Chairman.

GOVERNMENT SECTION, "THE U. S. AND THE WAR."

Chairman, Paul P. Young, Texas State College for Women.

Origins of the Conflict Between the United States and Japan, C. W. Patton, Oklahoma Baptist University.*Nazi War Organization and the Conquered Countries*, Lowell Field, University of Texas.*Labor and the War*, Edwin A. Elliott, National Labor Relations Board.

Discussion: Leader, Cortez A. M. Ewing, University of Oklahoma.

Business Meeting.

HISTORY SECTION, "HERE AND THERE."

Chairman: J. L. Glanville, Southern Methodist University.

The Struggle for Control of the Mediterranean, 1911-1912, W. C. Askew, University of Arkansas.

Discussion: James Taylor, Texas State College for Women.

The British West Indies as a Melting Pot, Homer C. Huitt, Arkansas State College.*Mexico's Socialistic Education*, E. O. Porter, Texas School of Mines and Metallurgy.

Discussion: Anna Powell, North Texas State Teachers College.

Business Meeting.

PSYCHOLOGY SECTION.

Chairman: Loyd W. Rowland, Baylor University.

Investigation of Certain Personnel Procedures and Their Effect on Scholastic Achievement, Otto R. Neilsen, University of Texas.*A Study in Ascendance-Submission in Pronounced Manics and Pronounced Depressives*, Mrs. Charles Martin, Baylor University.*An Investigation of a Gestalt Theory of the Relationship Between Word Form and Word Meaning*, A. M. Olsen, University of Texas.*An Evaluation of the Several Parts of an Examination for Employment*, J. U. Yarborough, Texas Unemployment Commission.

Business Meeting.

SOCIOLOGY SECTION, (SOUTHWESTERN SOCIOLOGICAL SOCIETY).

Chairman: O. D. Duncan, Oklahoma A. and M. College.

Needed Sociological Research in Farm Tenure, T. G. Standing, Bureau of Agricultural Economics.

Round Table Discussion: Melvin S. Brooks, Texas A. and M. College.

Robert T. McMillan, Oklahoma A. and M. College.

Joe Motheral, Texas Agricultural Experiment Station.

O. D. Duncan.

3:00 P. M.

Chairman: W. E. Gettys, University of Texas.

Contemporary Reputations in Scholarship and Science, Logan Wilson, Tulane University.

Round Table Discussion: J. K. Johnson, East Texas State Teachers College.
 Kurt Wolf, Southern Methodist University.
 Carl W. Strow, East Central State Teachers College.
 W. E. Gettys.

FRIDAY, APRIL 3, 4:30 P. M.

GENERAL MEETING, "CIVILIAN WAR ADMINISTRATION."

Chairman: O. D. Duncan, Vice-President, Southwestern Social Science Association.

The Office of Civilian Defense, Representative, Eighth Civilian Defense Region.

Federal Bureau of Investigation, A. P. Kitchin, Agent in Charge, Dallas Office.

Office of Price Administration, Consumer Division, Bruce Melvin, Dallas Office.

FRIDAY, APRIL 3, 8:15 P. M.

GENERAL MEETING.

Chairman: Brent C. Tarter, East Texas State Teachers College.

Popular Control and Our Expanding Government, Sam B. McAlister, North Texas State Teachers College, President of the Association.

Introduction, Elmer Scott, Civic Federation of Dallas.

Compromise: Its Context and Limits, T. V. Smith, University of Chicago.

SATURDAY, APRIL 4, 7:15 A. M.

BUSINESS ADMINISTRATION BREAKFAST.

Part-Time Cooperative Courses in Distribution on the College Level, John B. Pope, Office of Education, Washington, D. C.

SATURDAY, APRIL 4, 8:45 A. M.

GENERAL BUSINESS MEETING.

SATURDAY, APRIL 4, 9:30 A. M.

ACCOUNTING SECTION.

Chairman: Paul J. Graber, Oklahoma A. and M. College.

Municipal Law and the Accountant, Millard C. Kratz, Oklahoma A. and M. College.

Discussion: Lee E. Johnson, Texas State College for Women.

Criticism of Current Institutional Reports, H. O. Baker, The University of Kansas City.

AGRICULTURAL ECONOMICS SECTION, "MARKETING RESEARCH."

Chairman: L. P. Gabbard, Texas A. and M. College.

Transportation Aspects, Trimble R. Hedges, University of Arkansas.

Handling Methods and Costs from Producer to Consumer, Roy A. Ballinger, Louisiana State University.

Inter-Area Competition in Common Markets, A. L. Larsen, Oklahoma A. and M. College.

Discussion: C. E. Bowles, Texas A. and M. College.

John W. White, University of Arkansas.

G. P. Collins, Oklahoma A. and M. College.

BUSINESS ADMINISTRATION SECTION, "EFFECTS OF WAR ON COLLEGES AND UNIVERSITIES."

Chairman: J. Anderson Fitzgerald, University of Texas.

Management Courses in the Defense Program, W. R. Woolrich, University of Texas.

Discussion: Frank K. Rader, Southern Methodist University.

Business Machines at the College Level, Burton L. Risinger, Louisiana State University.

Discussion: Walter B. Cole, University of Arkansas.

ECONOMICS SECTION, "ECONOMIC ESSENTIALS FOR WINNING THE PEACE."

Chairman: E. C. Burris, Oklahoma A. and M. College.

Economic Errors of the Treaty of Versailles, Claude A. Campbell, University of Oklahoma.

Economic Analysis of Current Programs for World Re-Organization, John R. Hodges, Arkansas A. and M. College.

Discussion: A. B. Armstrong, North Texas Agricultural College.

Economic Essentials of a Lasting Peace, C. E. Ayres, University of Texas.

Discussion: John O. Gragg, Southwest Texas State Teachers College.

GEOGRAPHY SECTION.

Chairman: C. J. Bollinger, University of Oklahoma.

Statistical Delimitation of Land Use Regions, Allen Belden, University of Oklahoma.

Geographic and Human Use Regions of Texas, William Trout Chambers, Stephen F. Austin State Teachers College.

Geographic Regions of North America, C. Langdon White, Western Reserve University; Edwin J. Foscue, Southern Methodist University.

Round Table Discussion on Regional Classification.

GOVERNMENT SECTION, "ADMINISTRATION AND THE EXECUTIVE."

Chairman: Ward Morton, University of Arkansas.

Control of the Executive, A. R. Hatton, Northwestern University.

Budgetary Procedure and Problems in Oklahoma, Joseph C. Pray, University of Oklahoma.

The Special Assessment District and Its Implications in the Controversy over Centralization vs. Decentralization, Estal E. Sparlin, University of Arkansas.

Discussion: Leader, William Davis, Texas Technological College.

HISTORY SECTION, "WAR; PHILOSOPHY."

Chairman: T. H. Reynolds, Oklahoma A. and M. College.

The Genesis of the War in the Pacific, J. O. Van Hook, Louisiana Polytechnic Institute.

Discussion: R. L. Jones, East Texas State Teachers College.

The Present Conflict and the Cattle Industry, C. A. True and W. J. Hammond, Texas Christian University.

Discussion: Rupert N. Richardson, Hardin-Simmons University.

The Place of Philosophy in the Study of History, W. R. Davis, Stephen F. Austin State Teachers College.

SOCIOLOGY SECTION, (SOUTHWESTERN SOCIOLOGICAL SOCIETY).

Chairman: O. E. Baker, Hardin-Simmons University.

Practicability of a Community Bibliography, Kurt Wolf and Walter T. Watson, Southern Methodist University.

Socialization and the Youth Culture, N. J. Demerath, Tulane University.

The Social Organization of Spanish American Villages, Sigurd Johansen, New Mexico State College.

The Contemporary Southern Novel as a Factor in Regional Sociology, Anna G. Smith, Louisiana Polytechnic Institute.

SATURDAY, APRIL 4, 1:30 P. M.

EXECUTIVE COUNCIL MEETING.

Minutes

ANNUAL BUSINESS MEETING, SOUTHWESTERN SOCIAL SCIENCE ASSOCIATION,

APRIL 4, 1942.

The Secretary reported the names of the new Associate Editors and Section Chairmen as selected by each of the nine sections.

The report of the Treasurer was submitted and accepted.

The report of the Editor in Chief of the *Quarterly* was read. At the conclusion of its reading it was moved that the editor be instructed to print the report in the June issue of the *Quarterly*, in order that his excellent statement of the status of the *Quarterly* might be brought to the attention of more members than were in attendance at the business meeting. The editor was empowered to make whatever additional changes he deemed expedient.

The auditing committee reported that it had examined the books of the Treasurer and had found them entirely in order.

The President read the report submitted by the Committee on Institutional Memberships. The following schools have agreed to take out institutional memberships: Hardin-Simmons University, Oklahoma University, Southern Methodist University.

The nominating committee presented the following list of nominees:

President: Wiley D. Rich, Baylor University.

Vice President: C. J. Bollinger, Oklahoma University.

Second Vice President: L. P. Gabbard, Texas A. and M.

The secretary was instructed to cast a unanimous ballot for this slate of officers, and they were declared elected.

DONALD S. STRONG,
Secretary-Treasurer.

Report of the Treasurer

STATEMENT OF CASH RECEIPTS AND EXPENDITURES FOR THE YEAR ENDING JANUARY 31, 1942.

(NOTE: A Fiscal Year ending January 31 was adopted by the Fifteenth Annual Convention.)

RECEIPTS

Membership:

Individual	\$ 819.75
Libraries	467.75
Sale of Individual Quarterlies	75.25
Printing Subsidies (The University of Texas):	
Current Year's Collections	\$ 101.54
Prior Year's Collections	20.76 122.30
Miscellaneous Receipts75

Total Receipts \$1,485.80

EXPENDITURES

Publication Costs:

March Quarterly	\$ 319.37
June Quarterly	330.14
September Quarterly	297.75
December Quarterly	224.89

Total	\$1,171.85
Express	14.62
Postage	54.62
Reprints of Articles	33.15
Office Help	9.45
Notary Fees50
Convention Expenses—Secretary	33.61
Office Supplies	18.28
Convention Programs	61.69

Bank Charges	1.56	
Agents' Fees (Quarterly)	3.09	
Total Expenditures		\$1,402.66
Excess of Receipts over Expenditures		\$ 83.14
Cash Balance, January 31, 1941	\$ 325.94	
Increase in Cash for Year	83.14	

Cash Balance, January 31, 1942.....\$ 409.08

*Fluctuations in Sources of the Southwestern Social Science Association's
Income, 1939-1942.*

<i>Year Ending Jan. 31</i>	<i>Income from Individual Members</i>	<i>Income from Libraries</i>
1939	\$621.00	\$330.00
1940	804.00	412.00
1941	864.00	391.75
1942	819.75	467.75

Report of the Auditing Committee

We have examined the Treasurer's mimeographed statement, the receipts and expenditures for the year ending January 31, 1942, and have verified the Association's books of account, which we find to be consistent therewith, also the cash balance of \$409.08 was verified by certificate of the Austin National Bank, Austin, Texas.

In spite of the fact that three members served as Treasurer during the year, a most commendable collection of members' accounts was made including \$129.00 of previous a/c receivable not reported in the income of 1940.

We unanimously recommend the following procedures:

(1) The auditing committee, or preferably a single auditor, should be appointed from the Association membership, to have residence at the same place as the Treasurer. Appointment should be on or before January 31st of the fiscal year.

(2) A directory of paid-up members should be printed in the quarterly.

Respectfully submitted,

B. Jones

Chester F. Lay, Chairman

Report of the Editor-in-Chief of the *Southwestern Social Science Quarterly*

Volume XXII contains twenty-seven articles, all on social science subjects. No attempt is made to classify them into groups corresponding to the sections of the Association, since many of the articles can not be identified for this purpose.

To base a classification upon the departmental affiliations of the authors, as has been done in the past, does too much violence to the facts to be of any value. This difficulty of classification we consider as in some degree indicating a successful carrying out of our editorial policy.

In the selection of papers for publication, those are definitely favored which deal with the Southwest or with subjects likely to be of special interest to social scientists of this region. Any technical article must necessarily manifest Southwestern characteristics. An article not dealing with the Southwest should be non-technical, general, and of such wide appeal that it may be assumed to be of interest to social scientists of all kinds. When other things are equal, preference is given to authors who live in the Southwest and who belong to the Association.

That the *Quarterly* does not always seem to reflect this policy may be ascribed to the fact that the editor is faced with the practical job of getting out an issue every three months from the materials and funds available. Here it may be observed that sometimes more and better contributions come from outside the region than from within. The editor then has little choice, for he can not afford to lower the quality of the journal in order to favor local authors.

A part of this difficulty, it is believed, derives from the circumstances that the *Quarterly* is "a prophet in his own country." Everybody knows the members of the editorial staff personally and realizes that they are quite ordinary human beings. Somehow this impels Southwestern authors, when they produce a good article, to send it to editors and journals less intimately known to them. It is recognized, of course, that not all articles written by members of the Association could or should be published in the *Quarterly*, yet it seems probable that our journal loses every year a few items by exportation which could quite appropriately have been included.

It should be noted, therefore, that the *Quarterly* is an entirely acceptable medium of publication. The *Quarterly* goes to every large library in the nation, and, before the war, it was sent to a number of foreign countries as well. All articles appearing in it are indexed by the Wilson company. No significant contribution appearing in its pages can be overlooked by anyone who deals further with the subject treated.

The major difficulty encountered by the *Quarterly* is shortage of funds. This handicaps us in many ways not immediately apparent. We find it necessary to limit drastically the number and length of articles printed, with the result that we have been obliged to reject many creditable manuscripts. Lack of stenographic help makes it impossible to solicit manuscripts or to correspond fully concerning them. Associate editors who must pay their own postage and write their own letters are not thereby encouraged to increase their labors. Proof reading done on the run by the editor-in-chief is sometimes slighted. Delays accumulate because the editorial office lacks the means of reminding authors a second or third time to return their corrected galley.

The department in the *Quarterly* called "Notes from the Southwest" can only be maintained by active and persistent solicitation of news items from members of the Association. To do this requires the sending of about three hundred form

letters annually. At present there is no way of financing these letters; as a result of which the department has shrunk to almost nothing. Unless a little support can be found for it, the editor recommends that "Notes from the Southwest," once approved by the Association, be omitted from the *Quarterly*.

The Book Review section, under the editorship of Professor O. D. Weeks, shows the least effects of the financial stringency. About ninety books have been reviewed during the year.

The editor has received the complete and hearty cooperation of all the associate editors and others who have worked on the *Quarterly*. For this he is deeply grateful.

The future of the *Quarterly* depends largely upon the securing of adequate financial support. Few journals of this character can maintain themselves without a subsidy, and the *Quarterly* is no exception. The editor expresses the hope that the Association will find some means of helping the publication not only to live but to thrive. As the tangible product of the Association, as the symbol of Southwestern social science, and as the basis upon which we may be judged by outsiders, the *Quarterly* deserves our most energetic support.

Respectfully submitted,

Carl M. Rosenquist
Editor-in-Chief

Minutes of the Annual Meeting of the Executive Council, April 4, 1942

The secretary was instructed to prepare and the editor to print annually in the June issue of the *Quarterly* a complete roster of the Association's individual members and their institutional affiliation.

The editor was instructed to print the Association's constitution and by-laws in an early issue of the *Quarterly* so that the members might become more fully familiar with them.

It was moved and carried that if either the secretary-treasurer or the editor of the *Quarterly* served for three years they be granted a life membership in the Association. This resolution is to apply retroactively.

The committee formally approved the suggestion that the auditor be appointed from the institution of the treasurer's residence. The auditor is to be appointed on or before January 31 of each year. This change is in order to permit a more thorough and convenient audit of the Association's books.

The executive committee's decision with respect to institutional memberships was that copies of the *Quarterly* are to be sent to the libraries of institutional members at approximately the ratio of one copy per five dollars of institutional membership.

Dallas was selected as the place of the 1943 convention.

Donald S. Strong was reappointed secretary-treasurer.

It was announced that E. C. Burris of Oklahoma A. & M. College would be general program chairman for 1943.

The Executive Committee authorized the Editor-in-Chief, Treasurer, and President to change the place of publication of the *Quarterly* if that was deemed desirable.

Membership of Southwestern Social Science Association as of April 15, 1942

R. H. Agate
Southwestern Louisiana Institute

Spencer D. Albright, Jr.
Reed College

Dr. Ruth A. Allen
University of Texas

John Alley
University of Oklahoma

A. B. Armstrong
North Texas Agricultural College

Karl E. Ashburn
Southwestern Louisiana Institute

William C. Askew
411 Vandeventer St.
Fayetteville, Arkansas

Earl J. Aylstock
Southwestern Publishing Co.

C. E. Ayres
University of Texas

Nels M. Bailkey
University of Tulsa

John A. Baker
Donaghey Trust Building
Little Rock, Arkansas

O. E. Baker
Hardin-Simmons University

F. E. Ballard
6271 Mercedes
Dallas, Texas

Truman Barber
Trinity University

Sam Barton
North Texas State Teachers College

Titus W. Beasley
Southwest Baptist College

Allen Belden
University of Oklahoma

Oliver Benson
University of Oklahoma

Kenneth Bertrand
Oklahoma A. & M. College

R. L. Bieseke
University of Texas

Arthur G. Billings
University of Texas

C. J. Bollinger
University of Oklahoma

R. H. Bolyard
Lafayette, Louisiana

Clarence E. Bonnett
Tulane University

Merl E. Bonney
North Texas State Teachers College

Clarence A. Boonstra
North Agricultural Building
University Station, Baton Rouge, La.

P. F. Boyer
Texas State College for Women

R. W. Bradbury
College of Commerce
Louisiana State University

H. C. Bradshaw
Texas A. & M. College

William L. Bradshaw
202 B. & P. A. Building
Columbia, Mo.

- C. O. Brannen
University of Arkansas
- Williard H. Brentlinger
University of Texas
- Melvin S. Brooks
Texas A. & M. College
- Joseph E. Brown
Texas College of Arts and Industries
- William H. Buckhannen
913 Cruce Street
Norman, Oklahoma
- E. C. Burris
Oklahoma A. & M. College
- S. A. Caldwell
Louisiana State University
- Claude A. Campbell
University of Oklahoma
- W. P. Carr
Loyola University
- Monroe S. Carroll
Baylor University
- William T. Chambers
Stephen F. Austin Teachers College
- J. L. Charlton
University of Arkansas
- H. J. Chatterton
217 Cherry Street
Lafayette, Louisiana
- H. B. Chubb
University of Kansas
- F. B. Clark
Texas A. & M. College
- J. L. Clark
Sam Houston State Teachers College
- Forrest E. Clements
University of Oklahoma
- E. Clevenger
Central State College
- Herschel Coffee
West Texas State Teachers College
- Walter B. Cole
University of Arkansas
- Ross Compton
North Texas State Teachers College
- S. H. Condron
West Texas State Teachers College
- R. L. Conrod
North Texas State Teachers College
- Gene L. Cooper
2915 First National Building
Oklahoma City, Oklahoma
- Roy F. Cooper
Southwestern Publishing Co.
Dallas, Texas
- Virgil D. Cover
5922 Wooten Drive
Falls Church, Va.
- A. B. Cox
University of Texas
- A. L. Cunkle
517 Lindell
Fayetteville, Ark.
- Albert E. Croft
Wichita University
- O. J. Curry
Wharton School of Finance
- Melvin G. Dakin
Louisiana State University
- Edward Davis
East Central Teachers College
- W. R. Davis
Stephen F. Austin Teachers College
- G. B. Dealey
Dallas Morning News
Dallas, Texas
- Carl T. Devine
University of Kansas City
- James C. Dolley
University of Texas
- Robert L. Doss
824 Santa Fe Building
Dallas, Texas
- J. L. Dufлот
West Texas State Teachers College
- O. D. Duncan
Oklahoma A. & M. College

Ralph L. Edgel
State College, New Mexico

William H. Edwards
160 Main
Brockport, New York

E. A. Elliott
Fort Worth, Texas
420 United States Court House

J. O. Ellsworth
Texas Technological College

Robert W. Elsasser
Tulane University

Miss Hulda Erath
Southwestern Louisiana Institute

Delevan Evans
University of Texas

Kenneth Evans
East Texas State Teachers College

William Arthur Evans
2722 Oak Lawn Ave.
Dallas, Texas

Cortez A. M. Ewing
University of Oklahoma

T. N. Farris
Louisiana State University

Frederick Faulkner
601 W. 5th Street
Los Angeles, Calif.

G. Lowell Field
University of Texas

Robert W. Field
University of Oklahoma

J. A. Fitzgerald
University of Texas

Edwin J. Foscue
Southern Methodist University

Neil S. Foster
Baylor University

Robert W. French
Louisiana State University

Gerald Forbes
State Teachers College

John H. Frederick
University of Texas

Miss Eva Allen Freeman
3609 Cedar Springs Road
Dallas, Texas

L. P. Gabbard
Texas Agricultural Experiment Station

W. E. Gettys
University of Texas

Hilden R. Gibson
University of Kansas

B. M. Gile
Louisiana State University

J. L. Glanville
Southern Methodist University

Alvin Good
Louisiana State Normal College

Wendell C. Gordon
University of Texas

Paul J. Graber
Oklahoma A. & M. College

John O. Gragg
Southwest Texas State Teachers College

W. J. Green
Farm Security Administration
Dallas, Texas

H. H. Guice
Southern Methodist University

Leo A. Haak
University of Tulsa

Lionel Haight
State College, New Mexico

E. E. Hale
University of Texas

Claude V. Hall
East Texas State Teachers College

L. C. Harling
Stephen F. Austin Teachers College

B. F. Harrison
Oklahoma A. & M. College

William F. Hauhart
Southern Methodist University

T. R. Hedges
University of Arkansas

Eugene A. Heimann
Baylor University

Paul T. Hendershot
Louisiana State University

George C. Hester
Southwestern University

Leslie Hewes
University of Oklahoma

Norris A. Hiett
506 Chicago Boulevard
San Antonio, Texas

J. V. Highfill
316 Pyramid Building
Little Rock, Arkansas

Homer Hitt
Louisiana State University

John R. Hodges
Arkansas A. & M. College

Rex D. Hopper
University of Texas

S. L. Hornbeak
808 W. Marvin Avenue
Waxahachie, Texas

Z. T. Huff
Howard Payne College

George F. Hunsberger
University of Arkansas

Watrous Irons
University of Texas

Miss Elsie S. Jenison
Texas State College for Women

Sigurd Johansen
New Mexico State College

B. T. Jones
East Texas State Teachers College

Charles D. Johnson
Baylor University

J. K. Johnson
1323 Greenville Street
Commerce, Texas

Lee E. Johnson
Texas State College for Women

Lee L. Johnson
West Texas State Teachers College

O. R. Johnson
220 Mumford Hall
Columbia, Missouri

Richard B. Johnson
1101 Chamber of Commerce Building
Dallas, Texas

Dorsey D. Jones
429 N. Washington Ave.
Fayetteville, Ark.

Paul M. Jones
2159 Wisteria Street
Baton Rouge, Louisiana

John E. Kane
University of Arkansas

Ben Kaplan
520 E. College Avenue
Lafayette, Louisiana

Miss Julia R. Kauh
Mexia Junior High School

Pearce C. Kelley
University of Arkansas

Jerome L. Kerby
Sul Ross State Teachers College

Edward E. Keso
Northeast Mo. State Teachers College

William L. Kolb
Oklahoma A. & M. College

M. C. Kratz
Oklahoma A. & M. College

E. M. Landers
Hardin-Simmons University

A. S. Lang
Texas State College for Women

Chester F. Lay
University of Texas

J. H. Leek
University of Oklahoma

A. G. Mallison
Southwestern Louisiana Institute

Wyatt Marrs
University of Oklahoma

Robert L. Martin
Central State College

R. B. Melton
Sam Houston State Teachers College

M. H. Merrill
University of Oklahoma

William H. Metzler
University of Arkansas

Paul W. Milam
University of Arkansas

Robert W. Mondy
Louisiana Tech.

R. H. Montgomery
University of Texas

Henry Estill Moore
University of Texas

John W. Morris
Southeast Oklahoma College

T. E. Morris
College of Mines, Texas University

Dale N. Morrison
McMurray College

Ward Morton
University of Texas

Joe R. Motheral
Texas A. & M. College

H. R. Mundhenke
Texas Christian University

S. B. McAlister
North Texas State Teachers College

George B. McCowen
Oklahoma A. & M. College

R. Earl McClendon
Sam Houston State Teachers College

H. L. McCracken
Louisiana State University

E. G. McCurtain
Northeastern State College

L. A. McGee
Sam Houston State Teachers College

G. W. McGinty
Ruston, Louisiana

Rob Roy MacGregor
Southwestern College

S. A. McMillan
Farm Security Administration
Dallas, Texas

Perham S. Nahl
Oklahoma A. & M. College

C. H. Napier
438 Centre Street
Dallas, Texas

Peter Nelson
Oklahoma A. & M. College

G. O. Ogle
Northeastern State Teachers College

Louis N. O'Quinn
Louisiana Tech.

Willard Z. Park
University of Oklahoma

Woodrow W. Pate
Magnolia A. & M. College

A. M. Paxson
University of Tulsa

W. Nelson Peach
University of Texas

J. W. Pender
North Texas State Teachers College

William J. Phillips
1206 Lee Avenue
Lafayette, La.

A. L. Porterfield
Texas Christian University

C. S. Potts
Southern Methodist University

Miss Anna Powell
Texas State College for Women

Joseph C. Pray
University of Oklahoma

Stanley W. Preston
Louisiana State University

Galen B. Price, Jr.
University of Arkansas

Grady D. Price
Southwestern Louisiana Institute

Frank K. Rader
Southern Methodist University

- Ralph Records
University of Oklahoma
- Frank D. Reeve
1808 Las Lomas
Albuquerque, New Mexico
- J. W. Reid, Jr.
North Street Station
Nacogdoches, Texas
- Miss Bertha Ann Reuter
Mary Hardin-Baylor College
- T. H. Reynolds
Oklahoma A. & M. College
- W. C. Ribble
Hardin-Simmons University
- W. D. Rich
Baylor University
- Rupert N. Richardson
Hardin-Simmons University
- T. C. Richardson
3306 Main Street
Dallas, Texas
- Burton Risinger
Louisiana State University
- Alan L. Ritter
Southern Methodist University
- Miss Annie Romberg
Texas State College for Women
- Carl M. Rosenquist
Louisiana State University
- E. W. Rowland
East Texas State Teachers College
- Benjamin Sacks
University of New Mexico
- Earl A. Saliers
Louisiana State University
- James Salisbury, Jr.
1509 16th Street, N. W.
Washington, D. C.
- A. Q. Sartain
Southern Methodist University
- R. J. Saville
Louisiana State University
- Eugene T. Schauer
Oklahoma A. & M. College
- Mrs. Olga Richard Schilling
Southwestern Louisiana Institute
- Robert W. Schmidt
Post Office Box 42
Goose Creek, Texas
- Gerald J. Schnepf
St. Mary's University of San Antonio
- Karl M. Scott
University of Arkansas
- Robert S. See
Centenary College of Louisiana
- George H. Seferovitch
322 Millandons
New Orleans, Louisiana
- William H. Sewell
Oklahoma A. & M. College
- Luther Sharp
609 Great National Life Building
Dallas, Texas
- Ronald B. Shuman
University of Oklahoma
- Miss Virginia Sloan
2204 Hurley Ave.
Fort Worth, Texas
- Miss Anna Greene Smith
Louisiana Tech.
- Arthur A. Smith
Southern Methodist University
- Everett G. Smith
University of Texas
- T. Lynn Smith
American Embassy
Rio de Janeiro, Brazil
- J. H. Southern
303 Majestic Bldg.
Fort Worth, Texas
- Estal E. Sparlin
2121 N. Van Buren
Little Rock, Ark.
- Miss Florence E. Spencer
University of Texas

T. G. Standing
643 Donagher Bldg.
Little Rock, Ark.

W. T. Stanton
Belton, Texas

Edwin O. Stene
University of Kansas

W. A. Stephenson
Hardin-Simmons University

William L. Strauss
514 West Cante
Fort Worth, Texas

Donald S. Strong
University of Texas

Robert L. Sutherland
University of Texas

J. E. Swenson
Denton, Texas

Lucinda de L. Templin
Radford School for Girls
El Paso, Texas

Raymond D. Thomas
Oklahoma A. & M. College

S. Bernard Thompson
Berry College

James B. Trant
Louisiana State University

C. A. True
Texas Christian University

Austin VanderSice
205 Commerce Bldg.
University of Arkansas

Joseph O. Van Hook
Louisiana Polytechnic Institute

J. C. VanKirk
Tulane University

F. L. Vaughan
University of Oklahoma

Hugo Wall
University of Wichita

Miss Darthula Walker
Box 929
Canyon, Texas

J. L. Waller
College of Mines, Texas University

L. L. Waters
University of Kansas

Fred G. Watts
Oklahoma Baptist University

Walter T. Watson
Southern Methodist University

R. E. Westmeyer
Rice Institute

John Arch White
University of Texas

York Y. Willbern
North Texas State Teachers College

Logan Wilson
Tulane University

W. T. Wilson
University of Arkansas

M. O. Wilson
University of Oklahoma

George N. Wood
Phillips University

Mrs. M. L. Wooten
Texas State College for Women

H. C. Young
404 Black Bldg.
Fargo, North Dakota

Paul D. Zook
Louisiana State University

Book Reviews

Edited by O. DOUGLAS WEEKS
The University of Texas

Hart, Albert G.; Allen, Edward D.; and Collaborators, *Paying for Defense* (Philadelphia: The Blakiston Company, 1941, pp. viii, 275.)

The chief interest of the readers of this book will doubtless center in three chapters (Chapter 15, 16, 17) in which the authors outline what appears to them the most satisfactory plan for financing the defense program. Preceding chapters are devoted to a discussion of some of the more important related problems, e.g., expansion of bank credit, price control, etc. Toward the end of the book there are four short chapters dealing with Government finance in Germany, Great Britain, Canada, and Japan.

The authors arrive at their program, which is summarized in the last chapter, by (1) listing the major possible methods of financing defense, (2) listing the objectives of a satisfactory method of defense financing, and (3) by systematically eliminating (or relegating to a secondary role) all except the method which they advocate. The principal methods available for financing the defense program are: (1) expansionary financing either by issuing paper money or by borrowing from commercial banks; (2) borrowing from the general public either on a voluntary or compulsory basis; and (3) additional taxation of various kinds including corporate income or excess profits taxes, general sales taxes, specific taxes, taxes on individual net income, taxes on inheritances and gifts. Each of the above methods is discussed in the light of the following objectives: (1) getting maximum output; (2) preventing inflationary general price increases; (3) sharing defense burdens according to the American spirit of fair play; (4) giving all citizens a sense of sharing in defense; (5) releasing resources needed for defense; and (6) promoting a healthy financial structure by striving to avoid (a) an increase in regressive taxation and (b) a rise in public debt beyond that necessary to secure maximum output.

Having examined traditional methods and found that none can satisfactorily accomplish their six objectives, the authors then present their own scheme. It may be conveniently divided into three main parts. First, they would reduce the existing income tax exemptions to half their existing levels. (The book was published before the 1941 income tax law was passed.) While the authors are aware that this will necessarily increase the burden on low income groups, they argue that there is no other available source of revenue, and that even though low income groups will be heavily taxed, the taxes which these groups will pay under an income tax will be less than they would pay under a general sales tax. Second, they advocate prompt collection of the new income taxes at the source.

It is the third part of their program that will attract greatest interest. Here

the authors propose "A Suspended Sentence for the Taxpayers." The essence of "the suspended sentence" consists of embodying in the income tax law the lowest possible exemptions and the highest possible rates which are at all likely to be needed in the current year. The effective rate is to be changed periodically on the basis of the behavior of the monthly cost of living index number of the Bureau of Labor Statistics. This is to be accomplished either by a series of congressional resolutions or, preferably, by assigning the duty to the Secretary of the Treasury. By study of the past performance of the index number, the authors suggest, as a provisional rule, that whenever the index number shows a rise of as much as 2 per cent per month, the income tax rate should be increased by 1 per cent. It would be extremely doubtful—even in the view of the authors—if the ratio between price increase and offsetting tax increase obtained by use of this rule came out exactly right. Nevertheless, they hope and assume that the error is not likely to be overwhelming, and pass over this all important point with the simple statement, that, whatever figure we start out with, "... experience is sure to suggest corrections." It may be pointed out here that experience is certain to suggest that corrections are needed, but there is no basis for the authors' confident assumption that experience will suggest the *right* formula. In this connection one other point may be emphasized. In one part of the book it is suggested that changes in the income tax rate be determined not by the financial requirements of the Government but by the behavior of the price level, while later on, it is suggested that if this method fails to produce sufficient funds, the Government might resort to borrowing. Preventing inflation is their goal and financing the Government becomes of secondary importance. Furthermore, the burden of preventing inflation is to be placed squarely on the shoulders of those least able to pay. It is the *basic* income tax rate which is to be changed, not because the Government needs the money, not because the method is just, but because this method will, if it works, prevent the B.L.S. index number from rising too fast.

The University of Texas

W. NELSON PEACH

Robinson, Thomas H., and Others, *Men Groups and the Community*. (New York: Harper and Brothers, 1940, pp. xix, 965.)

Atterberry, George C., John L. Auble, Elgin F. Hunt, and Others, *Introduction to Social Science*. (New York: The Macmillan Company, 1941, pp. xix, 668.)

In the opinion of this reviewer, the production of adequate texts for use in introductory survey courses in social science constitutes a primary publishing need. It follows, therefore, that any effort to meet this demand merits consideration. *Men, Groups, and the Community*, and *Introduction to Social Science* are recent and generally commendable responses to the above-mentioned educational lack.

Both books are the results of teaching experiments, the first having been published after ten years use in a freshman survey course at Colgate University, and

the second developing from seven years experience in the social science survey course required of all freshmen in three Chicago junior colleges. Both books also seek to realize the same basic objectives. As stated by the authors of the first text, these are as follows—"This book is a text for a survey or general introductory course in the field of the social sciences. It is an attempt to provide integration in this field by explaining some of the ways in which men live together . . . It aims (1) to develop an appreciation of our own society as an organized 'going concern,' (2) to make clear some of the outstanding characteristics of social organization in the United States, (3) to point out the nature of social change and social problems, and (4) to describe some of the current efforts to deal with these problems."

The writers of the second book formulate their objectives in these words—"This text is designed . . . to introduce the student to the problems of contemporary society, to find what groups are most affected by these problems, to show by relevant historical data how these problems came to be and what has already been done about them, and to demonstrate in what way economics, sociology, and political science contribute to an understanding and the possible solution of these problems."

However, though agreed with reference to major emphases, the two groups of authors organize their materials somewhat differently. *Men, Groups, and the Community* is planned on the assumption that students at this level need a broad view of the whole field of "living together." Treatment of the data is intended to elaborate on the following theme—"People have needs. No individual satisfies all his needs through his own unaided efforts. Practically everyone specializes both vocationally and avocationally. These specializations must be organized and controlled. This organization and control are both informal and formal. Moreover, the organization and control change. Problems of social organization—that is, social problems—arise out of this situation. In turn, these social problems give rise to proposals for social reorganization. Some of these proposals are privately sponsored, some are undertaken by the state, some are conservative, some are radical."

Introduction to Social Science employs the so called "problem approach." Hence, the discussion of specific problems is prefaced by three introductory chapters designed (1) to develop the meaning of social problems and social change and to point to their inter-relationships, and (2) to show how population and technology are basic to all social problems. These introductory chapters are grouped in Part I under the title "Basic Factors in Social Problems." To facilitate the orderly presentation of the specific social problems dealt with, this text organizes them under three broad headings as follows—"Social Relations and Social Problems," "The Competitive System and Social Problems," and "Government and Social Problems." Parts I, II, and III are bound in Volume I and Part IV forms Volume II, due to have been published by January of this year. As is evident, Parts II, III, and IV correspond to sociology, economics, and political science, it being the belief of the authors that "Since the separate departmental disciplines of sociology, economics, and political science have a logical

unity of their own, nothing is gained by an artificial attempt to disguise this fact." The difficulties attendant on the organization of materials in terms of problems treated within separate disciplines are intensified by the fact that each chapter is the work of an individual writer. To meet almost certain criticism on this point, the book has been provided with "cross references from one chapter to another [which] tend to emphasize whatever significant relationships there may be between fields and between problems."

In the space allotted, evaluation of these books becomes so superficial as to be almost worthless, any comparative statement of merits becoming merely a matter of preference. Both texts are excellent and each will doubtless secure wide adoptions. Nevertheless, this reviewer strongly prefers *Men, Groups, and the Community*.

The University of Texas

REX D. HOPPER

Biese, Rudolph Leopold, *Workbook in American History*. (New York: F. S. Crofts & Company, 1941, pp. 171.)

Professor Biese's *Workbook in American History* is offered to assist teachers and students in the study of H. N. Faulkner's second edition of *American Political and Social History*. As the Workbook is of no special value without the use of Faulkner's textbook, brief mention is made of this one volume survey of American history. Admirably divided into phases of American growth and clearly written from a broad point of view, the 804 pages leave surprisingly little to be desired. It is indeed a modern treatment of a subject which now calls for the best efforts of instructors. As it is subdivided into topics and contains a number of small maps and illustrations, the 41 chapters in Faulkner's book lend themselves to an orderly presentation of outlines, exercises, work maps, charts, and review questions.

Following the general plan of Faulkner, Professor Biese has prepared this complimentary material. It is provided simply as an aid toward clarification, organization, and emphasis of certain facts and movements, and—this should be noted—it does not propose to relieve the instructor and the student of initiative or individual interpretation. Brief topical outlines of the forty-one chapters, which follow closely the organization of the textbook, may be used as a guide but not as a substitute for the text. Completion exercises, based on several chapters, are interspersed throughout the Workbook as a suggestion to the instructor. It is a credit to the author that only eleven map assignments are included, dealing with highly significant developments such as the location of the Colonies established in North America by European countries and the territorial expansion of the United States. Most students are eager to work on available maps which do not confuse them with a mass of details. Explanatory notes are brief but helpful.

Most of the review questions are designed primarily to test factual knowledge and, as such, may be used by the instructor or the students as a check upon the preparation of specific assignments. These questions will, along with the suggested topics for discussion, answer, in part, the constant clamor for a guide to a review, and they may relieve the conscientious instructor of considerable work.

They are not, however, entirely adequate, for there are comparatively few questions designed to require practice in the organization of sustained movements and the interpretation of events. The important problem of getting students to think is still the main job of the instructor, and it is a task requiring more devices than are known to any one person.

At the end of each chapter in Faulkner's book there is a long list of references. In a survey course little use can be made of a great deal of supplementary material owing to ability, lack of time and inadequate library facilities. The instructor who uses the Workbook to accompany Faulkner's textbook will be pleased that Professor Biesele has recognized this problem and has selected only primary sources in which a required amount of additional reading may be assigned. A distinct advantage of the Workbook to accompany a particular text is that by a judicious use of its contents the average student will be enabled to survey adequately the field of American history without the necessity of consulting a mass of supplementary material. Thus much dissatisfaction, confusion and unnecessary expense may be avoided, and at the same time a more effectual course offered in the history of the United States.

San Angelo College

W. H. ELKINS

Nathanson, Jerome, *The Forerunners of Freedom; The Recreation of the American Spirit*. (Washington: American Council on Public Affairs, 1941, pp. vi, 171.)

At the present time when defense needs and chaotic world conditions tend to lead the current democratic relationship now thought to exist between the American governed and the American governors, more and more toward totalitarianism, it is necessary that the American people make as a part of their thinking, the basic concepts out of which their democratic form of government has developed. An excellent source of these democratic concepts can be found in the writings of those Americans whose expressed thoughts have given us the philosophical justification and the reasons for the practical application of American democracy.

The author of *Forerunners of Freedom* selects four of our deepest thinkers from four overlapping generations, to represent the American forerunners of democratic philosophy. These four are: Ralph Waldo Emerson, Walt Whitman, William James, and John Dewey. By analyzing and interpreting quotations from the writings of these four, the author explains the substance out of which our present democratic thinking is composed. Each writer emphasized the place of the individual in any democratic society. Emerson saw the individual as a creature of integrity and self-reliance. Whitman saw the individual as separate as a body electric, but these electric bodies could function only through highly developing social relationships which pre-supposed the development of a common culture. James thought of the individual in terms of potentialities and these were almost unlimited, provided sufficient individual effort was made to develop them. Dewey saw the individual in a continuous process of reconstructing himself to fit changing society.

The chief thought of the book as the title indicates is *freedom*, but not much is said about dangers to freedom or to the situs of these dangers. The whole discussion is philosophical and abstract as was the writings of the four men studied. Mr. Nathanson has done a good job interpreting the democratic philosophy of Emerson, Whitman, James, and Dewey. In this day when the friends of democracy need something universal to which they can tie, such philosophy is invaluable. The American needs this re-creation of the American spirit. It is true that the environment in which the America of tomorrow will live will be quite different from the environment in which the selected four democratic thinkers lived, but it is equally true that the human nature of the people of tomorrow will be enough like the human nature of the earlier Americans, that democratic freedom will be desirable. Such a book as Mr. Nathanson has put together was modern fifty years ago, and it will be modern fifty years hence. The students of political thought will enjoy reading the book; the others should read it.

North Texas State Teachers College

S. B. McALISTER

McClure, Wallace, *International Executive Agreements: Democratic Procedure Under the Constitution of the United States*. (New York: Columbia University Press, 1941, pp. xxii, 449.)

Mr. Wallace McClure's new volume is a much needed and timely book. Far too little attention has been given to the use of executive agreements or to their constitutional status. It is the book's purpose to show (1) the increasing frequency of the use of executive agreements; (2) the breadth of the president's power to enter into executive agreements; and (3) the tendency of executive agreements to take place of treaties—thus introducing a more democratic procedure in the making of international agreements.

The author has no trouble in showing that the use of executive agreements has been increasing. He points out that some 1200 have been signed on behalf of the United States and, of these, 917 were signed during approximately the last century. The various types of executive agreements are minutely described, and it is shown that many things, formerly the subjects of treaties, have been accomplished by executive agreements. Some matters, in fact, have rather indiscriminately been made the subject of either executive agreements or treaties.

The author contends that the treaty-making procedure is undemocratic in that it enables one more than one-third of the Senate to tie the hands of the United States Government. He suggests an even more extended use of the executive agreement as a means toward greater democracy. Indeed he is so intense in establishing this and other points that he is led to unguarded and sweeping generalizations which do not follow from the evidence he submits and which run counter to most authorities in the field. Certainly his belief that "the President has unlimited authority, regardless of subject matter, to enter into executive agreements" needs some qualification. Also one finds it difficult to agree with his conclusion that "the chance that an executive agreement or treaty may some time be declared unenforceable because contrary to the Constitution is reduced to zero. . ."

There are some apparent contradictions in the study. It is difficult to see how the concentration of power in the hands of the chief executive would be "more democratic" than the present mode of treaty-making, undemocratic as that may be. No small part of the criticism which will be levelled at this volume could have been avoided by clarifying definitions. By an executive agreement is usually meant an agreement entered into by the President of the United States on his own authority with the executive powers of foreign states. Mr. McClure also includes within this category, and with very little or no differentiation, agreements entered into by the President under authority granted him by Congress. In the latter type of agreement, the power exercised belongs to the legislative branch—the executive is a mere agent. When discussing constitutional law questions, Mr. McClure is inclined to place too much emphasis on his theory that because the courts have never invalidated executive agreements or treaties they will never do so. Thus, he jumps to the conclusion that the president can and should do by executive agreement anything he wishes where he cannot achieve his end by treaty. He has been able to read much into the Curtis-Wright Export case that these reviewers have not found.

University of Oklahoma ROYDEN DANGERFIELD AND BUENA MORRISON

Ogle, Ralph Hedrick, *Federal Control of the Western Apaches, 1848-1886*. (Albuquerque: The University of New Mexico Press, 1940, pp. viii, 259.)

One who reads this book will be impressed with its completeness as a definitive study on the western Apaches, meaning the Chiricahuas, Coyoteros, and other Apache bands living in Arizona. It is difficult to see how more on federal-Indian relations could have been condensed into these carefully documented nine chapters.

The federal pattern of relations with the Apaches was much the same as that employed by the Spanish administrators, except that it was marred by the bureaucratic strife between agents of the Departments of War and Interior. With federal efforts thus encumbered, it is not surprising that from 1864 to 1886 fourteen changes were made in the military command of Arizona and that from 1864 to 1872 five Indian superintendents served in the same region, with commensurate changes in the Indian agencies. During these years federal officials employed various methods: war to the hilt, the "Peace Policy," and the "Quaker Policy," no one of which met with complete success. It was only with the coming of better cooperation between the two federal departments concerned that satisfactory progress was made. This meant the piecing together of the best parts of old patterns to form a new one. In this, the work of Agent John Clum, Generals George Crook and Nelson A. Miles pointed the way. Those Indians who were amenable to federal control and demonstrated a willingness to follow the paths of peace were concentrated on reservations, given live-stock, tools of husbandry and schools. Those who sought the war trails, such as Gerónimo and Nachee, were hunted down like wild animals and captured or killed. In 1886 the long period of Apache wars came to an end when leaders of the hostile bands were captured and sent to Florida for imprisonment.

The reviewer has no adverse criticism to offer. The periods of time covered in this study are treated adequately. Dr. Ogle has used extensively federal documents and all known printed works (which he submits in citations of authority and in a bibliography). A more attractive format, however, would have added immeasurably to the book.

University of Oklahoma

CARL COKE RISTER

McNaughton, Wayne Leslie, *The Development of Labor Relations Law*. (Washington: American Council on Public Affairs, 1941, pp. 197.)

"To appraise the contributions of the decade of the 'thirties, a decade which has seen many changes take place in the field of labor law," is given by the author as the major aim of this book. Although addressing himself to the 'thirties, the author wisely devotes a considerable portion of the book to exploring the earlier phases of the subject and comparing these with developments since 1930. The study is made from a "functional standpoint" and each subject is developed chronologically. Laws designed to protect the interests of employers, employees, and the public form the subject matter, respectively, of three major divisions of the work.

Within each of these divisions the discussion is sub-divided between "positive" and "negative" methods. The former relates to those methods which are aimed primarily at improving the bargaining position of the group considered and only incidentally at weakening the bargaining position of other groups. The latter relates to methods aimed primarily at weakening the bargaining position of other groups.

This analysis of labor relations law includes, in addition to a discussion of federal and major state statutes, a review of court cases, administrative awards, commission reports and similar sources.

Among the principle merits of the study is its realistic approach to the subject. Beginning with a repudiation of the fiction of complete mutuality of interest of employer and employee, the author asserts that labor relations law is "a result of the interplay of at least three forces. These forces exist because of the self-assertion of employers, employees, and society as a whole." As indicated above, the struggle of these forces is not limited to the economic field, but occurs in the political field and even affects the august decisions of our Supreme Court. Objective treatment of highly controversial material and copious documentation are additional virtues of this monograph.

The weakness of the book lies not in its content but in its organization. This arises from the author's unfortunate decision to discuss the field of labor relations from the points of view of employer, employee, and public in three separate sections. In the opinion of the reviewer, this makes a highly complex subject even more confusing than its character merits. Thus, from reading the book, even one familiar with the National Labor Relations Act is unable to obtain a unified picture of the statute, fragments of which are presented in each of the three sections of the study. Not only does this treatment blur the picture, but it

also results in excessive repetition. The author acknowledges this difficulty in such passages as the following: "Statutes already considered in relation to the strategy of employers, at the risk of undue repetition, must now be scrutinized from the point of view of employee strategy." (P. 80) The clarity of the book might be increased if the summations and conclusions regarding such subjects as the legal liability of labor unions, the legality of boycotts, etc., were appended to the discussions rather than deferred to the summary chapter. The latter is commendably concise.

North Texas State Teachers College

SAM B. BARTON

James, Preston E., *Latin America*. (New York: The Odyssey Press, 1942, pp. xviii, 908.)

According to the preface of this new book, a majority purpose of the writing was to help understand Latin America. Of the ability of the author to present significant material on Latin America there can be no doubt. He has spent much time in field work in various parts of Latin America, especially in Brazil, and in other types of scholarly investigation of the subject. Where the material used is not the result of his own field experience, and that is commonly the case outside Brazil, James has taken the trouble to digest and make use of pertinent material from various sources. At present he is chief of the Latin American section in the Office of Co-ordinator of Information in Washington.

The treatment is well-rounded, integrated rather than encyclopaedic, objective and nearly free from romantic slush, without being dry.

The significance of regional differences is brought out nicely. The major themes in man's occupation of the land in Latin America are shown to vary both with the people and with the land. Broadly, James may be said to be interested in the land as the setting for the unfolding of the human drama, as well as the present abode of various human groups.

The book is above all else a human geography, but is not lacking in historical depth nor in appreciation of the state as a political organism, with its roots in the land and the people. The distinction between total national territory and effective national territory is frequently repeated. On the mainland of Latin America, these concepts are shown to be synonymous only in El Salvador and Uruguay. The blanks on the land-use maps emphasize the distinction.

The book is well illustrated with photographs, many of them landscapes as seen from the air, and with maps. In the main, the maps are in series, showing surface configuration, natural vegetation, land use, and population distribution.

To be sure, there are faults—the omission of reference to the Pan American Highway project in Central America, some errors of fact, such as implicit denial of the agricultural qualities of the site of Pueblo, Mexico (p. 661). It seems strange that the newer, less important, northland of Mexico should be treated before the central, or heart, region. These faults are not enough to mar seriously an excellent book.

For those wishing to start with the fundamentals of land, people, and econ-

omy, with a liberal strain of history, in their study of Latin America, this book is heartily endorsed.

University of Oklahoma

LESLIE HEWES

Hermens, F. A., *Democracy or Anarchy? A Study of Proportional Representation*. (Notre Dame, Indiana: The Abbey Press, 1941, pp. xxx, 447.)

In *Democracy or Anarchy?*, Professor Hermens presents an elaborate substantiation of a timely thesis. His thesis—that democracy failed in Europe because of Proportional Representation in the electoral system—furnishes still another explanation of the downfall of representative government in the dictator countries.

The different phases of the subject are treated exhaustively in this book. The author's research extends to ten European countries and eleven American cities that have adopted P.R. With copious figures and illustrations he buttresses his argument that the effect of the plan has been to divide opinion and alienate loyalties, thus rendering the government impotent and paving the way for its overthrow.

Section I of the book deals with the theoretical basis of the two electoral systems—the majority plan and proportional representation. Section II takes up the majority system in more detail, treating the experience of Great Britain and France with this type of election as a proof of its efficacy as a guardian of democracy and national unity. Section III, the major portion, is devoted to a study of the countries of Europe that applied P.R. where, the author concludes, it undermined democracy and national unity. The last section includes a study of several American cities. A notable point is the inclusion of the principal "Objections" to his arguments, presented at the end of the chapters on Germany and Italy.

While the first part of his work, dealing with the theory of electoral systems, is cogent, it is the chapters on the experience of Germany and Italy that will be likely to have the most telling effect on his readers. In other words, though philosophers may never agree on the true functions of representatives, or the most theoretically perfect plan of representation, they will be convinced of the superiority of one system over the other if confronted with actual results in the form of election returns. Professor Hermens' comparison of results under P. R. with a hypothetical majority system show, for example, that in the Reichstag elections of 1930 the Nazis would not have obtained a majority in any of the 400 single-member districts into which Germany might have been divided (p. 258). Less conclusive are the results of the experience of the Scandinavian countries and American city governments.

Professor Hermens has contributed a valuable study to the literature on this highly argumentative subject. His treatment is comprehensive, his research thorough, his reasoning clear. This reviewer, however, is not inclined to go all the way with his conclusion that P. R. is solely responsible for the collapse of democracy in Europe. To attribute a major portion of that failure to the inability of existing governments to act with resoluteness, which, in turn, may be traced

to the multiple party system and, in some degree, to P.R., is sound. But it would seem that a full explanation must include the people as well as their institutions.

North Texas State Teachers College

NOLAN FORTENBERRY

Diary and Letters of Josiah Gregg: Southwestern Enterprises, 1840-1847. Edited by Maurice Garland Fulton with an Introduction by Paul Horgan. (Norman: University of Oklahoma Press, 1941, pp. xx, 413.)

Josiah Gregg's *Commerce of the Prairies* (1844) is one of the classics of the history of the Southwest. To this Mr. Fulton has added his diary and letters which have been religiously preserved by the Gregg family and have never before been published. The Introduction of forty pages, supplied by Mr. Horgan, is a biography of Gregg up to June, 1846, when he started south at the invitation of Colonel Archibald Yell and Senator A. H. Sevier, to join the Arkansas Volunteers who were on the way to participate in the war with Mexico. More is promised in a later volume.

The diary begins in February, 1840, and tells of Gregg's last return from Santa Fé. He started out with 28 wagons—apparently all except one belonged to him—200 mules, and 46 men and arrived at Van Buren, Arkansas, on April 22, 1840. He next made a trip to Texas "for the purpose of looking at the country." He arrived in Austin in time to witness, along with a thousand others, the inauguration of General Sam Houston as president of the Republic. Houston appeared "in a linsey-wooley [*sic*] hunting shirt, and pantaloons, and an old wide brimmed white fur hat." This led Gregg to observe that "General Houston demonstrated more vanity than if he had appeared in an ordinary cloth suit. He knew it would be much remarked, and thought it would be popular no doubt, with the body of the people." Gregg next went to New York to secure the publication of his *Commerce of the Prairies*. In a letter to John Bigelow, written at Shreveport, Louisiana, on April 9, 1845, he exclaims: "Ah, who would live in the North, with your ice-bound rivers, snow-clad hills, and frozen streets." He had read medical books to take care of his men on the Santa Fé trail; now he goes to Louisville to attend medical lectures. But in May, 1846, he was back in Independence, Missouri, and, observing that "The spirit of 'Westward Ho' is on the wing in all directions," particularly to California and Oregon, soon he turned "Southward Ho" to join the Arkansas Volunteers.

Gregg had no definite position in the army and the common soldiers hazed him to their hearts' content. Because of this he resigned whatever position he held, but went along with the army as a carping critic. Occasionally he expressed words of moderate praise, but found fault with nearly everyone, from General Wool, Colonel Yell, Colonel Roane, and Captain Pike, down to the buck private. In spite of this, Gregg followed the army and occasionally wrote letters to the papers back in the "States." His last letter in this volume was written from Monterey on February 10, 1847, a few days before the battle of Buena Vista.

The University of Texas

DAVID Y. THOMAS

Carr, Sir Cecil Thomas, *Concerning English Administrative Law*. (New York: Columbia University Press, 1941, pp. ix; 189.)

This brief book by Sir Cecil Thomas Carr, editor of *Revised Statutes and Statutory Rules and Orders* consists of six lectures on administrative law delivered by him at Columbia University under the auspices of the Carpentier Foundation. The title is misleading for the work is not limited to a technical discussion of English administrative law but is a commentary upon the general problems of public administration with special emphasis on Anglo-American developments. The chief charm of the book is derived from the illuminating and often penetrating comparisons, which the author draws between English and American forms and practices. After a brief treatment of the evolution of administrative procedures in England in the early 19th century the book turns to a discussion of delegated and crisis legislation, administrative tribunals, written law, and bureaucracy as problems in the organization and functioning of administrative systems. An appendix gives a valuable check list of the statutory measure taken to effectuate the recommendations made in the famous *Report on Minister's Powers*. The author has treated his subject not in a formalistic and technical manner, with the resulting evils of dryness and tedium which accompany such efforts, but has viewed administration as a part of the living and constantly changing organism we call government. He has not allowed himself to forget that administration is not mechanical, but is human activity directed in political channels and is accordingly limited and confined by the frailties of its agents. The close relationship between public opinion, and the potentialities of administrative development, as well as the forms which these potentialities are forced to take in practice, is clearly presented to the reader. Like many works of English scholars it is deceptively "light" reading, but it presumes for its full understanding much background in comparative government. If that background is present the stimulating effect of the author's criticisms and comparisons cannot be missed by the reader. It is to be hoped that similar comparative treatments of British and American experiences in dealing with the operation of the democratic system may be forthcoming in the future. In such labor lies much of mutual value and benefit to both governments and their people.

New Orleans, La.

H. MALCOLM MACDONALD, U.S.N.R.

Sarkiss, Harry Jewell, *The Will to Freedom*. (New York: Fleming H. Revell Company, 1941, pp. 256.)

Although this book was written originally to awaken Americans from a mis-conceived isolationism to the realities of the international struggle against fascist aggression, it is still a timely formulation of a lasting—or at least a just—peace. Professor Sarkiss combines a scholar's caution with the conviction that Christian culture, in its highest cosmopolitan sense, contains within itself a complete program which is as immediately applicable in the fields of international relations and economics as in the traditional aspects of spiritual life. Democracy is then

not one of alternate choices for our society but the only ideal for action which corresponds to our basic cultural values.

The author, a trained historian, reviews the modern record of the spiritual bankruptcy of our civilization as expressed in the peculiar terms of "isolationism," "neutrality," "pacifism," "self-sufficiency," "laissez-faire," and other evidences of societal disintegration. As a good lecturer, Professor Sarkiss is not content with stating his argument in abstractions, but gives concrete interesting treatment of the problems of domestic and international reconstruction. He seeks to revitalize our social structure by offering an attractive program to Youth, noting that the lack of such planning made the Weimar Republic a prey for Hitlerism. Democratic propaganda must strengthen the sociological foundations of the home, the church, and the community spirit. On the international plane, he would reconstruct a world community in terms of a League of Nations, capable of disinterested action, rather than the freezing of the *status quo*. A modified liberalism, he believes, is both desirable and feasible on the domestic scene, retaining the best aspects of individualism and the leadership, rather than the control, of government. Professor Sarkiss has indeed written a thoroughly comprehensive but eminently readable book on a subject of pressing importance.

De Paul University

HARVEY WISH

Krout, Maurice H., *Introduction to Social Psychology*. (New York: Harper & Brothers, 1942, pp. 823.)

Textbooks on social psychology are commonly classified as psychological or sociological treatments of the field. Krout's text, although it also makes extensive use of psychological, anthropological, biological, and geographical materials, falls in the sociological category, with major emphasis on the cultural approach.

Chapters devoted to culture, symbolism, culture patterning of personality, cultural survivals, and culture change, constitute the middle third and core of the book. The first three chapters, on geographical environment, heredity, and the organism, in a way constitute an introduction which is linked to the cultural chapters by a treatment of "The Group." The last three chapters deal with conflict, leadership, and followership. Many of the sociologically most interesting phenomena of the field are treated briefly under the last rubric: crowds, mobs, sects, movements, mental epidemics, propaganda, publics, public opinion, and propaganda. Chapter pedagogical aids include numerous questions and exercises.

Evaluation of this text will doubtless be a matter of individual taste. To this reviewer the work is disappointing, in spite of its wealth of concrete material and frequent reference to the contemporary scene, because it lacks theoretical coherence. Numerous theories and theorists of all kinds are presented, but they seem to remain unassimilated. This is unfortunate, for Krout leaves the greatest need of the field unsatisfied: a coherent, comprehensive, and convincing theoretical framework which will bring order to the infinitude of fact.

Louisiana State University

EDGAR A. SCHULER

Key, V. O., Jr., *Politics, Parties, and Pressure Groups*. (New York: Thomas Y. Crowell Company, 1942, pp. xvii, 814.)

The newest and one of the more valuable textbooks in the field of political parties is Mr. Key's volume, *Politics, Parties, and Pressure Groups*. As Mr. Key indicates in his preface, the book is "a combination of the traditional and the novel." In addition to the conventional materials on such matters as the nature, organization, and functions of political parties and the organization and behavior of the electorate, Mr. Key has extended chapters on sectionalism, agrarianism, labor, and business as forces in modern politics. He has also added chapters on corruption, force, and education as factors in political behavior. It is these chapters, perhaps, that will be of greater interest to students of political parties than the others, although it should be noted that in his treatment of conventional topics, Mr. Key has brought forth a wealth of new illustrative materials which should serve to enliven courses in political parties. Through the text, Mr. Key has manifested considerable learning and sound judgment. Textual quotations and footnote citations indicate that he has missed none of the significant literature in the field. Moreover, the book is written with a felicity of style not usually to be found in textbooks in the conventional fields of political science. Needless to say, it is a thoroughly excellent text.

Louisiana State University

ROBERT J. HARRIS

Book Notes

At a time when public attention is focused upon the problems of post-war reconstruction, it is pertinent to study past experiences in making peace, and public reaction thereto. C. Leonard Hoag, in his *Preface to Preparedness* (Washington: American Council on Public Affairs, 1941, pp. 205) analyses the problems of naval disarmament at the Washington conference of 1921, and the attitudes of the public toward those problems. In a penetrating introduction, Admiral H. E. Yarnell indicates that armaments are but a symptom of political and social disequilibrium; it is unreal to assume that disarmament, in removing the means of war, will remove its causes. Professor Hoag, after a brief historical survey of our naval building programs, describes the contending forces moulding public opinion in connection with the Washington Conference. American policy was uncertain, a conflict of desire for an adequate navy, on the one hand, and on the other for economy, to reduce the overwhelming burdens of defense expenditure. As the Gallup poll of its day, the author emphasizes the activities of the American advisory committee. His conclusions, based upon his extensive analysis of group activity, and press discussion, which he equilibrates to public opinion, are that the nation can be depended upon to support a substantial fighting fleet if the issue is carried directly to the people, and that the people in regions contiguous to navigable waters are more consistently intelligent and concerned about naval affairs than those in inland regions. He demonstrates that although the President and his advisors have a good deal of power in creating public opinion, in Congress, naval and military problems are often solved in the light of internal political standards, without due regard to the international effect, or expert advisability of the accepted solution. E.G.L.

Clarence H. Haring's *Argentina and the United States* (Boston: World Peace Foundation, 1941, pp. 77) is one of a series of pamphlets inaugurated in January, 1941, by the World Peace Foundation under the general title, "America Looks Ahead." An aim of the series is to present expert but condensed comment on some of the more important international issues. It goes without saying that an important problem in this category is United States-Argentine relations. The intransigence of Argentina at the recent Conference of Foreign Ministers at Rio de Janeiro was nothing new. Indeed, in all the Pan American conferences, save the one at Montevideo in 1933, Argentina was consistently opposed to the United States. It is a cardinal principle of Argentine policy to oppose cooperative American action which might contribute to a strengthening of United States prestige among the Latin American nations. This is because Argentina herself aspires to leadership of the Latin American states. This prime obstacle to cordial relations is mentioned by Dr. Haring. He also mentions Argentina's fear of United States imperialism and resentment because of our tariff policy and meat quarantines. It is an interesting fact that Argentina, like Japan

in the past, places full and unreserved blame upon the United States for any misunderstanding that exists between the two nations. It does not appear to be a two-sided proposition. Although we would wish Dr. Haring had made better use of his limited space by omitting background materials of an historical and economic nature, and by rigidly restricting his discussion to United States-Argentine relations, he nevertheless sheds some light on the whys and wherefores of the traditional Argentine policy of opposition to the United States. The author overlooked Mexico in a statement appearing in the opening paragraph ascribing Argentina second place in population among the Latin American nations.

J.L.M.

It seems fitting that, in the midst of the most aggressive war of all time, Dr. Marion William Boggs' *Attempts to Define and Limit "Aggressive" Armament in Diplomacy and Strategy* (Columbia: University of Missouri Press, 1941, pp. 113), should appear. The author takes at face value Clausewitz's dictum that "war is only a continuation of political intercourse in a new form." The World Disarmament Conference of 1932 accepted the idea that there was a distinction, in strategy and diplomacy, between aggressive and defensive armament and sought safety through the elimination of the former. This was the qualitative approach and was championed in particular by France. In land warfare, artillery, tanks and armored cars came in for abolition. Germany proposed to consider fortifications, but the conference refused. The nations divided on dreadnaughts, aircraft carriers, and submarines but came near agreement that aircrafts were offensive. Between the Conference of 1932 and the outbreak of the Second World War in 1939 there occurred "the most violent armament race the world has ever seen" and a revolution in the character of the armaments since 1914. Mobility now became a decisive factor in qualitative armament. The Blitzkrieg was designed to overwhelm the enemy by a series of surprise attacks and force an early decision for peace. The success of Germany in the first two years of the Second World War makes it unlikely that she will be willing to abolish, or internationalize qualitative armaments, even if finally defeated.

D.Y.T.

Those tiny islands—Midway, Wake, Johnston, Baker, Howland, Canton, and others—mere pin points on the map of the vast Pacific area were, ten years ago, virtually unknown. Yesterday they emerged from obscurity to the headlines as stepping-stones on the air hop across the Pacific. And today, who is unacquainted with Wake and Midway? They are known to all Americans not only because of the gallant defense of the Marines but as vital positions in the general pattern of our war strategy. David N. Leff's *Uncle Sam's Pacific Islets* (Stanford University, California: Stanford University Press, 1940, pp. 71), which chronicles briefly the story of American acquisition of islets in Oceania, was written with a premonition of the greater importance to be assumed by those islands in the near future. In the foreword by Prof. Thomas A. Bailey we read: "And with aircraft assuming an increasingly vital place in naval and military strategy, these hitherto scorned land dots have before them an exciting—perhaps terrifying—future."



The history of the discovery of these island, and their eventual acquisition by the United States is briefly, simply, and authoritatively stated. The maps and descriptions of the islets are also instructive.

J.L.M.

Professor Lovenstein's study, *American Opinion of Soviet Russia* (Washington: American Council on Public Affairs, 1941, pp. 210), is published at an opportune moment, as the popular attitude towards the phenomenal Russia is undergoing yet another change. The author analyses American opinions recorded in labor organs, business and financial magazines, trade periodicals, economic magazines, learned journals, general magazines, books, newspapers, and government documents with respect to three periods of Russian history, the war and its aftermath (1917-1921), the New Economic Policy (1921-1929), and the first Five Year Plan (1929-1933). He contrasts trenchantly contemporary American events, so that his work becomes, in the opinion of Broadus Mitchell, who writes the introduction, "a Mirror for America." Dr. Lovenstein pleads for objectivity in viewing Russia, and finds that few of the sources of opinion for Americans have presented an objective picture. In this respect he gives the cleanest bill of health to the *Nation* and the *New Republic*. Perhaps a better title for the book might have been "Collected Prejudices of American Authors."

E.G.L.

George C. Booth's *Mexico's School-Made Society* (California: Stanford University Press, 1941, pp. 175) shows that a new Mexico is rapidly being evolved from the old. Ancient ideals, traditions, and dogmas are being uprooted by the teaching and practice of a new "Scientific Philosophy." The schools have been given the task of educating the people to the new regime. Teachers are accepting their roles with "a zeal matching that of early missionaries to New Spain." Thus does the author characterize Mexico's revolution by education. The work is well documented. Secondary sources plus extensive travel in Mexico furnish the data for the book. Anyone interested in recent trends in Mexico will find this contribution both interesting and instructive.

O.E.L.

In the reviewer's opinion *Labor Problems in America* by Emmanuel Stein, Jerome Davis, and others (New York: Farrar and Rinehart, Inc., 1940, pp. xvi, 909) is very similar to many of the now very numerous labor problems texts that have been cast in the very rigid mold first used by Adams and Sumner in 1905. Specifically, the authors have adopted the taxonomic approach and consequently they have ignored the functional significance of several factors in many sections of their book. Some of the authors have utilized unreliable materials and have incompletely analyzed certain available source materials. Consequently, certain sections of the text contain serious errors and/or incomplete statements, and the book as a whole falls far short of presenting a rounded picture of "... the American industrial worker and his world, viewing them from the standpoints of the worker himself, the employer and the government. . ."

W.J.P., Jr.